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The Other Half of the Battle

Departure from Dear Money

Indira Gandhi and Eastern Economist

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It is now clear that only half the battle was won for democracy when Mrs Gandhi and the Congress party were routed at the Lok Sabha polls in March. That this victory has been partial and the struggle is still unfinished is not entirely surprising. The Janata party has not been able to take full advantage of the rawness of the public resentment against the emergency regime, on the crest of which it had ridden to its triumph at the hustings. Its leaders have shown themselves to be sadly lacking in the killer instinct so necessary to clinch the issue. Once they themselves have been comfortably installed in the Council of Ministers or in the Lok Sabha, they seem to be sliding into an unwarranted mood of forgetfulness or forgiveness. This has given the impression that they are ignoring the tragic fact that the citizens of this country, who had their rights and liberty taken away for twenty months and were further being threatened with indefinite enslavement, have scores to settle with the Congress party and its leaders. The tyrant, who with a wave of her hand, had let loose a reign of terror not only on her active political opponents but also on millions of ordinary men and women who were only cannon fodder for her power game, is now being treated as if she were a shrinking violet who must be carefully protected from the glare of post-election politics.

More inexplicably still, the Janata government has been slow to act even against those chief malefactors of her entourage whom her own party has disowned, although it is true that the Congressmen who took the initiative and carried through such punitive action as there was against their more criminal colleagues were prompted primarily by their own self-interest in getting rid of fellows who had become political liabilities. Indeed, the Janata heart has so softened towards the demon-figures of the emergency that Mr Raj Narain has publicly stated that Mrs Gandhi does not have much to fear by way of retribution. Thus the extremely serious affair of bringing the guilty to book has now been reduced to the farce of investigating whether Mr Sanjay Gandhi and some of his business associates had been guilty of committing offences under the company law, one or more of which have been and are being repeatedly committed all over the corporate sector. In the US they got even with Al Capone by booking him for tax fraud. Perhaps, with luck, we may yet hope to see Mr Sanjay Gandhi *challaned* for driving on the right side of the road in his Maruti.

While the Janata leaders have been so inexcusably reluctant to bare their fangs against the enemies of the people, their factions have been fighting among themselves with a ferocity that is red in tooth and claw. Not only are claims blatantly made for some kind of super-star stature for Mr Charan Singh in the Janata hierarchy, but his big mouth, Mr Raj Narain, just does not allow a day to pass without alleging conspiratorial skulduggery in the camp of the president of the Janata party. It is poor consolation that only the compulsions of survival—the thought that, if they do not hang together, they will hang separately—is acting as an eleventh-hour check on the practitioners of brinkmanship in the Janata party leadership. It is even poorer consolation that the carefully cultivated detachment of Mr Morarji Desai and the worldly wisdom of Mr Jagjivan Ram are being used up in keeping the Janata party together when so much better use could be made of them and their qualities for establishing the credibility of the Janata administration as an effective engine of purposeful and good government.

As if the strife among the warring chieftains within the Janata party is not enough, Mr Jayaprakash Narayan, happily back from the United States with the prospect of near-normal health for one of his age and ailments, has promptly resumed his role as a super-guru of the Janata party from the dubious elevation of Express Towers in Bombay. His edict endorsing the candidature of a rival to the official Janata candidate for the Dhenkanel assembly constituency in Orissa is a regrettable gesture of per-

sonal conceit. A habit is developing among Mr Jayaprakash Narayan's flatterers and followers of comparing him in season and out of season with Gandhiji. It is inconceivable that Gandhiji would have acted as Mr Jayaprakash Narayan thought fit to act in the Nandini Satpathy case. He might possibly have gone on a fast to persuade Mrs Nandini Satpathy to withdraw, but it would not have been in his mores to deal the kind of blow to the sense of discipline in public life which Mr Jayaprakash Narayan has so casually delivered.

Sarvodaya version

Are we to take this as a Sarvodaya version of the notorious partiality for voting according to conscience which Mrs Gandhi so abruptly developed in support of Mr V.V. Giri and against the official candidate of the then Congress party for the office of the president of India? Mr Jayaprakash Narayan, it must be said, has grievously hurt the authenticity of the candidature of a very large number of the official nominees of the Janata party for the assembly elections in the various states. In these circumstances, Mr Morarji Desai's affirmation in Lucknow, while appealing to the people to vote for Janata party candidates, that the rebels, even if they were elected, would not be given any place in the party, may seem a case of whistling in the woods.

If, in spite of all this, the Janata party seems well set to win effective majorities in at least seven of the ten states where new assemblies are to be elected, thanks are due surely to the Congress party. Public memory may be short, but the politicians' is even shorter. The Congress election manifesto seems to be a pre-dated oration on the party's deferred funeral. It is contemptible that the authors of the manifesto should have indulged in the necrophilic exercise of trying to draw sustenance from a dead legacy, especially when the title of these men to that legacy is dubious. The thirteenth anniversary of Jawaharlal Nehru's death fell on May 27, the very date on which the Congress party released its election manifesto. With atrocious dishonesty, the manifesto pretends that those thirteen years, especial-

ly, the twenty months in the last two years of all those thirteen years never were. How at all is it any more relevant for Mr Brahmananda Reddy, Mr Y.B. Chavan or any other of that company to think of campaigning in Jawaharlal Nehru's name at this stage of the existence of Mrs Indira Gandhi's Congress party than it might be for them to campaign in the name of Akbar or Ashoka?

Nehru belongs to a part of Indian history to which the present Congress party has no particular claim of ownership. He accomplished much that was to the good of this country and he left undone much more that was good and necessary. During the last two years of her prime ministership, Mrs Indira Gandhi undid most of the essentials of the good that was done or attempted to be done during the Nehru years. In all the twelve years of her prime ministership, she did not make any significant progress in carrying out any part of the work that remained still to be done when Nehru died. It is therefore a fraud on the people for the Congress of today to appeal to them to vote for its candidates on the strength of the Nehru period. Repeating *ad nauseum* that the verdict of the electo-

rate in the Lok Sabha elections had not rejected the Congress policies of the Nehru years, both Mr Chavan and the Congress manifesto have been merely trying to project a fraudulent version of what the people's judgement was about.

Fortunately, the public itself has no need to be reminded of what they did reject so decisively at that election. For the benefit of Mr Chavan and the authors of the Congress election manifesto, it may be very firmly stated here that the people did reject the ruling party which had betrayed the trust of the nation and they did condemn the leaders of that party who had engineered, connived at, collaborated with or ignobly acquiesced in that betrayal. Such is their continuing commitment to the crimes and criminals of the emergency that, even now, they are not going to the assembly polls in any penitent mood, asking for a chance to atone for the sins of the past by good deeds in the future. On the contrary, the Congress manifesto has implicitly justified the imposition of the emergency which after all was the mother-sin of which the excesses were the unruly progeny.

Assuming an air of "butter will not melt in their mouth," the Congress leaders

Eastern Economist 30 Years Ago

JUNE 6, 1947

This country has been accustomed to large losses of foodgrains through pests, the quantities involved being enough to wipe out the deficit in our present food supply. Often enough in the past, this fact has been regretted, and remedies suggested but never applied actually. However, recently the Government of India have made a positive move and the battle against insects and pests may be expected to be waged with energy and produce good results. But just when we are taking in the hand this fight against pests in earnest there has been an addition to their numbers. Human in origin, it yet lacks all the qualities that distinguish man from beast. We mean communal fanatics. To loss of life and property inflicted by this evil breed, there may be added, in the near future, a further cause for death and destruction by an addition to the deficit in food supplies currently estimated at 4,500,000 tons. Grain losses during the riots in various parts of the country

have been considerable even though complete information about the country as a whole is lacking. In Lahore, the major portion of the grain market was burnt and 80,000 bags of wheat and 20,000 bags of sugar destroyed. There have also been losses of rice in the rice markets where also destruction has been wrought by communal evil-doers. Recently there was news that the Delhi administration has taken steps to prevent food losses should citizens of Delhi choose to stoop to the depths to which others in other cities of India have sunk. But unfortunately the problem is an all-India one and must be tackled at the all-India level. The Central Government's decision to institute some sort of a riot insurance scheme must be implemented soon. We trust that, the tension of the current political discussions will not be permitted to put that into cold storage. The risk is too great to allow time to pass; starvation deaths, in the alternative, may put the casualty lists of the riots into shade.

are promising all manner of "goodies" to the people and asking how the Janata party, being the "kichiri" it still is, can at all govern, let alone govern effectively. They do not realise that the people see the election issue quite differently. For those voters who have been called upon to exercise their franchise for the second time within three months, the issue continues to be whether the Congress, the party of the emergency, should not be struck at again and again till all its powers of evil are pounded out of it and its present generation of leaders reduced to

skeletons in that party's cupboard. Indeed it is only by thrashing the Congress candidates once again with the stick of public resentment, disgust and disavowal that the people of the concerned states can recall the Janata party to its duty for bringing the criminals of the emergency to justice and proceeding to work out for the people's good a socio-economic programme which can prove to the world that India's democracy can feed, clothe and house its people as surely as it had demonstrated earlier this year that it was here to stay.

funds of scheduled commercial banks may exceed even Rs 4000 crores.

The Reserve Bank is probably keen on having a fairly large cushion with a view to meeting all contingencies, subsidies on lending to small borrowers, expenditure incurred on the opening of new branches and the losses suffered in earlier years out of current earnings. There has so far been no attempt to make an assessment of the provisions against bad debt arising out of new forms of lending and the subsidies in the form of preferential lending rates and heavy expenditure being incurred on branch expansion. It will not however be incorrect to say that the most difficult phase of experimentation in new types of lending and branch expansion has been left behind and the banking system is in a position to operate highly profitably

Departure from dear money

THE CREDIT policy for 1977-78 marks a departure from the earlier exercises as the emphasis will henceforth be on restraining credit expansion wherever necessary and lowering interest rates for minimising the adverse effects of the higher cost of short-term credit and stimulating long-term investment. It cannot be said that a conventional approach has been adopted as is usually done when effecting adjustments in interest rates in advances and deposits, by an appropriate change in Bank Rate. Actually, the impression is sought to be given that there is no retreat from dear money by leaving the Bank Rate unchanged at nine per cent and stiffening the availability of refinance facilities. It must be said, however, that a calculated attempt has been made to beat a retreat from dear money and the major decisions about the reduction of Bank Rate and appropriate changes in other directions will probably be taken after the success of the new experiment becomes apparent and the central budget proposals are out of the way.

The lowering of interest rates on deposits for periods ranging between 31 days and less than 60 months has come somewhat as a surprise as the demand from industry and trade was for a reduction in lending rates because of a wide spread between average deposit rates and average lending rates. The monetary authorities have not thought it possible, however, to reduce lending rates without a

reduction in the cost of deposits though they have taken care at the same time to leave the rate of interest payable on saving bank accounts without cheque facility unchanged at five per cent and on fixed deposits for periods exceeding five years at 10 per cent. It is probably expected that deposits of small savers will continue to swell in savings accounts while those planning to secure an interest income through long-term deposits will not be discouraged.

In the absence of a clear analysis of the ratios of different classes of deposits to the total, it is difficult to say what exactly is the saving by way of interest charges through payment of lower rates on the affected category. The experience of the individual banks varies widely and it is rather surprising that even banks having deposits over Rs 1000 crores have made profits in 1976 lower than those having deposits around Rs 600 crores. The adjustments in regard to provisions against bad and sticky advances and the strengthening of inner reserves might have been partly responsible for the pronounced variations in the performance of member banks.

But the general level of earnings is much better than in 1975 and it is legitimately expected that the lending institutions could reduce rates on advances by two or three per cent even without changing deposit rates especially as deposits have been rising rapidly in the past two years and in the current year fresh additions to the working

New Central Loans

The government announced on May 30 the issue of three new loans aggregating Rs 400 crores.

The government retains the right to keep up to 10 per cent in excess of the notified amount, so that the loans will actually fetch Rs 440 crores. Banks are very liquid, and the issue should be oversubscribed.

Of the three loans, the first matures in 1985 and carries 5.5 per cent interest. It will be issued at Rs 99.50 per cent.

The second loan carries six per cent interest and matures in 1994. It will be issued at Rs 99 per cent.

The third loan, maturing in 2004, will be issued at par and bears 6.5 per cent interest.

with a spread of $3\frac{1}{2}$ /4 per cent between average deposit rate and average lending rate.

No attempt has been made in the present exercise to fix a ceiling on lending rates for all classes of advances as was done in earlier years, though last year it was stated that a ceiling of 16.5 per cent, which was usurious enough, should be observed and penal interest rates should not be levied as a rule and not considered as a source of income. Only in respect of term loans exceeding three years the maximum rate has been reduced to 12.5 per cent from 14 per cent or 15 per cent charged earlier. The levy of the government was not also applicable in these cases. The adjustments in interest rates on other types of advances have been left to the discretion of bankers and there is now desire to know what will be the follow up action

of individual banks. The hope, has however, been expressed that there would be a reduction in all types of advances by one to two per cent as the saving through lower deposit rates and many new branches will be earning profits on a larger turnover.

The stiffening of refinance facilities should not hurt as the pressure on banking system has eased considerably in the past few weeks, and on present indications, banks may have a problem of utilising their resources profitably rather than rationing credit to unsatisfied borrowers. A situation akin to the one in 1973-74 may arise and individual banks may be keen lenders and anxious even to reduce interest rates. The change in the procedure for refinance against procurement credit will not be having an upsetting effect because food credit may not expand on the same scale as in the last slack season and with lendable resources there may not even be any desire to use refinance facilities with a further rise in food credit. Even during the week-ended May 20, 1977 the outstanding amount in respect of refinance against food credit was Rs 398.65 crores against a permissible quota of about Rs 400 crores.

food credit

The growth in food credit has not been impressive so far even though it is expected that the quantity of wheat procured may be four million tonnes before the end of July. In May last year, however, food credit increased by Rs 373 crores and in June by Rs 201 crores. In the whole of the slack season there was a net rise of Rs 433 crores. Banks experiencing a squeeze for funds in the whole of the last slack season as in the latter half, non-food credit also expanded in a big way. With intensified borrowing by the central and state governments and public bodies there was full use for even record additions to deposits. These increased by Rs 1791 crores between April 30 and October 29 1976. It was not possible to reduce borrowings from RBI which were even higher by Rs 83 crores because aggregate advances increased to the extent of Rs 1025 crores and investments in government and approved securities by Rs 651 crores. As the higher cash reserve ratio had also to be observed banks could not build up

surplus funds for use in the 1976-77 busy season.

The trends since November last year however have been entirely different. Apart from the fact that no difficulties were experienced in the latter part of the busy season in meeting the needs of all classes of borrowers, borrowings of member banks from the Reserve Bank could also be substantially reduced. The current slack season has begun on an entirely slack note and procurement credit is unlikely to increase by more than Rs 250 crores in six months. There will thus be reliance on expansion of non-food credit for using additions to deposits which may easily Rs 2000 crores in the six months ending October 1977. The growth in deposits is bound to remain impressive, because of rising foreign balances and vigorous mobilisation efforts within the country. The central and state governments and public bodies will therefore be making an overwhelming success of the borrowing programme and it may not be surprising if the increase in investments

of the government securities and bonds of public bodies is as much as Rs 1000 crores in six months.

Already the centre has been obliged to create reissues of two earlier loans for Rs 100 crores in order to relieve the scarcity of gilt-edged securities and enable the institutional investors to dispose of their funds profitably. As the profitability of working will be satisfactory only if non-food credit is also expanded sizeably, it remains to be seen whether there will be a bigger attempt to extend term loans or bridge loans even while relaxing credit limits. The Reserve Bank should encourage liberal lending wherever necessary though it has to be strict when extending credit against sensitive commodities. The era of dear money is being left behind but the opportunity should be utilised also for intelligent and productive lending as the expanding resources of the banking system can be prudently used for spurring economic activity.

Deflated tyres

A FEW bold measures have recently been taken by the Janata government at the centre to contain inflation in the economy but, unfortunately, it has so far failed to heed the distress calls of some industries which have been suffering from persistent recessionary trends. One such industry, which has had a bad time for more than two years, is the tyre industry; its excess capacity and absence of sustained demand for tyres have forced many a unit to curtail output. In recent weeks, the chairmen of two companies engaged in the manufacture of tyres and of another firm in the automobile industry have made an attempt to draw the attention of the central government to their plight.

The slow rate of growth of the tyre industry in 1976 was due to the depression in the road transport industry, according to Mr P.A. Narielwala, chairman of Ceat Tyres of India Ltd. Highlighting the causes which had brought about the gloom in the road transport industry, he pointed out at the 19th annual general

meeting of the company that the high cost of vehicles and increases in the prices of fuel, lubricants and spare parts had seriously affected its growth. Improved performance of the railways—particularly the punctuality of the trains and their comparatively low freight charges—had contributed not a little to the poor working results of the road transporters.

The scope of operations of the road transport industry can be increased by opening up new roads so as to link the villages with the nearby urban areas. Only new roads, asserted Mr Narielwala, could make it possible for the transport industry to carry the necessities of life such as food, cloth, fuel and medicines to the people living in widely-scattered villages.

Mr Narielwala justified the taking up of an ambitious road building programme on another score as well. He said that building of new roads would also provide productive employment to the millions of unemployed or underemployed per-

sons—this should appeal to the Janata government which is planning to give the topmost priority to employment-generating projects. In its election manifesto, the party had given pride of place to the strategy for full employment and had promised to launch schemes designed to promote self-employment. Since the road transport industry is largely in the hands of individuals and not of organised companies, the possibilities of encouraging self-employment through its extension are indeed immense.

backbone of the economy

Mr M.M. Sabharwal, chairman of Dunlop India Ltd, rightly described the road transport industry as the backbone of the national economy while addressing the 51st annual general meeting of the company held recently at Calcutta. He said that the road transport industry deserved priority in terms of "both immediate revival and accelerated development" since it was a key element in the infrastructure necessary for intensive national development. Citing a study made by the National Council of Applied Economic Research (NCAER), he said that this industry had the potential for providing greater employment per unit of investment than any other industry. Every investment of a crore of rupees, according to the NCAER study, generated 15,000 jobs. Mr Sabharwal was of the opinion that, in a well-conceived market development and transport plan in rural areas, the employment-generation capacity of such an investment could be doubled to 30,000.

While a multi-pronged attack is needed to generate revival in the transport industry, Mr Sabharwal has suggested a reduction in excise duty on High Speed Diesel from 67 per cent to 33 per cent as the first step. In regard to tyres and tubes he has recommended a cut in excise duty from 55 per cent to 33 per cent. These suggestions merit careful consideration by the Finance minister, who is currently engaged in finalising the central budget. Revised estimates for the year-ended March 31, 1977, indicate a deficit in the central budget of the order of Rs 400 crores which may perhaps double itself in the current financial year at existing levels

of taxation. The government is pledged to reduce reliance on deficit financing and this is possible only if buoyancy is restored to revenues through measures for stimulating economic activity. In this programme, proposals for reflation demand in depressed areas of industry or transport should certainly be included.

The tyre manufacturers' sad plight is obvious from the under-utilisation of their capacity which, according to Mr M.M. Sabharwal, is currently around 60 per cent, and which, in his words, "is in the grip of a serious recession". Unless some positive steps are taken—and reduction in excise duty on High Speed Diesel oil is only one of them—the future of the tyre industry seems to be dark. Looked at from any angle, the tyre industry presents a case which needs assistance, direct as well as indirect, in order to tide over the current difficult phase in its life.

The recessionist tendencies and slackness in trade "from which the automobile industry could not escape" were the theme of the address of Mr S. Ranganathan, chairman, Ashok Leyland Ltd, who at the 28th annual general meeting of the company urged the government to initiate such measures as would "enable it (automobile industry) to produce more

vehicles, especially trucks and buses". The road transport industry, the automobile industry and the tyre industry are in fact so intimately inter-linked that disturbances in the working of one (or more) of them must necessarily affect the others (or the other).

Two other recommendations were put forth by Mr Sabharwal for imparting a little more life to the working of the road transport industry. He suggested that multiple taxation on inter-state traffic should be eliminated through a 30-day tax exemption for all transport vehicles entering a state; also a fund should be created from a share of two paise per litre of the excise duty on the diesel fuel which may be used in compensating the states for the loss in withdrawal of overlapping levies. The financial implications of these suggestions should be examined speedily and if it is found that the benefits are commensurate with the cost involved, there should be no hesitation in implementing them. Any relief in taxes which leads to increased activity in the road transport industry should be welcomed by the government because the loss through reduction in tax rates could be more than made up through higher levels of activity in the economy.

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CAPITAL'S CORRIDORS

R. C. Ummat

Funds for industry • Problems of auto ancillaries

IN A STUDY conducted recently by the Association of Indian Engineering Industry (AIEI) on the availability of funds for industry (the major findings of the study were presented to the prime minister, Mr Morarji Desai, and the Finance minister, Mr H.M. Patel, last week), it has been established that investment in the corporate sector to the extent it has been available has come from the non-household sector. This is due to the fact that between 1961 and 1972, the share of corporate and cooperative securities in the financial assets of the household sector had dropped precipitately from 25 per cent to a bare 0.8 per cent. The study further observes that there is no evidence to suggest that this alarming trend has been reversed in the subsequent years.

The main reasons for the sharp decline in the share of corporate and cooperative securities in the financial assets of the household sector have been traced primarily to high interest rates on bank deposits and deteriorating return on capital employed in industry. Investible surpluses of the household sector, thus, have gradually been diverted to channels other than industrial securities.

rate of return

The study reveals that the rate of return on capital employed (gross profit: capital employed) currently is much below the current rate of interest on borrowings from banks which is around 15 per cent. Investment in the industrial sector, the study stresses, must suffer as a consequence.

In the light of the above finding, the AIEI has recommended to the government that any liberal monetary policy should aim at reducing the interest rates.

It agrees that it is difficult without a deep study to assess what would be the most appropriate interest rate for industrial credits, but points out that empirical evidence suggests that for short-term cash credits a rate of 12 per cent should be the maximum so that the Reserve Bank of India's lending rate should not exceed seven per cent.

The AIEI has also urged upon the government that a review should be undertaken expeditiously of the current debt/equity ratios and the criteria and procedures for lending by financial institutions. Further, a plea has been made for an urgent intervention by the Finance ministry in the present practice of some of the institutions making wholesale changes in contractual terms relating to rates of interest on loans, bonds, debentures and preference shares issued in the past but which have not yet matured.

Another recommendation made by the

AIEI is that a review group should be set up by the Reserve Bank for bestowing fresh thought on the Tandon committee's norms for the grant of credit by banks to the industrial sector and formulation of norms for those industries also which were not properly studied by the Tandon committee.

In regard to debt/equity ratios, the AIEI study refers to large undertakings seeking to diversify their product patterns and activities being asked to finance their projects in such a way that the net block/debt ratio is maintained at 1:0.5. The study points out that this ignores the fact that capital costs have escalated at such a rapid pace over the past few years that such a condition would mean an equity investment of a magnitude which would be virtually impossible to service. It has been, therefore, recommended that (a) the norms for debt/equity ratio should be revised on a graded basis of cost of capital, and (b) the requirements of major industries should be studied to determine if debt-equity ratio of more than 5:1 is necessary as in the case of shipping industry.

As regards the rehabilitation and modernisation programmes of the industrial sector and rejuvenation of the sick units, the suggestion made by the AIEI is that no norm should be applicable for financial assistance for these purposes as the quantum of assistance required would

RBI Slashes Interest Rates

Since the writing of this piece, the Reserve Bank of India has directed the banking industry to slash its interest rates on term loans of duration not less than three years to 12.5 per cent from the present ceiling of 14 to 15 per cent. This, it is thought, will stimulate long-term capital investment.

The Reserve Bank has also revised the interest rates on deposits. An important element of this revision is a distinction drawn between savings deposit accounts which are functionally transaction-oriented. The savings accounts with cheque facilities will earn with effect from July 1 an interest of only three per cent per annum but those without cheque facilities will attract an interest of five per cent. Hitherto, the interest on both these types of deposits ranged from 5 to 5.5 per cent, depending on the size of banks. The rate of interest on term deposits has been reduced as follows: maturity period 91 days to less than six months from 5.5 to 4 per cent; six months to less than 9 months from 6 to 4.5 per cent; nine months to less than one year from 7 to 5 per cent; one to three years from 8 to 6 per cent; over three years to less than five years from 9 to 8 per cent. The interest rate on deposits for five years has been maintained at 10 per cent.

(See details in the Records and Statistics section).

depend upon the circumstances of each case.

Four suggestions have been made by the AIEI for reviving the equity market. These are:

(i) raising of the ceiling of tax-free dividends from investment from Rs 3,000 to 5,000;

(ii) Exemption from tax to capital gains upto a prescribed ceiling arising from sale of equity shares if the proceeds are reinvested in other equity shares;

(iii) equity investment in small-scale industry by an entrepreneur should qualify for a capital rebate in computing his income tax; and

(iv) investment in equity shares up to a ceiling of Rs 5,000 may be considered "rebatable" in the same manner as insurance premia/savings funds, etc.

FERA companies

The AIEI study also refers to the problem of FERA companies which prior to the enactment of the Foreign Exchange Regulation Act were required to issue equity shares in respect of their new projects and expansion programmes in accordance with the dilution formula devised for the purpose. The FERA, the study says, was supposed to have superseded all earlier directives, but the government continues to insist upon adherence to both FERA obligations and the dilution formula. The AIEI, therefore, has called upon the government to rationalise the situation.

The AIEI has also recommended that where the stake of financial institutions in the equity capital of a company exceeds 20 per cent, there should be no restrictions on the growth of the company arising out of MRTP legislation, etc.

It has also been strongly urged that the complete ban on investment by provident, pension and trust funds in industry should be diluted so that industrial concerns can draw upon these sources of investment.

* *

The All-India Automobile and Ancillary Industries Association feels that there is good scope of exporting our auto ancillaries not only to the foreign collaborators of our vehicle manufacturers but

also for catering for the replacement requirements of auto components and parts there. Even some headway has been made for the supply of auto parts to be used as original equipment by manufacturers of automobiles in countries such as West Germany, the UAR, Yugoslavia, Australia and the United Kingdom.

export prospects

The exports of auto ancillaries, it is pointed out, have gone up from Rs 23 crores during 1975-76 to Rs 27 crores last year. It is hoped to step up these exports to Rs 30 crores this year and as much as Rs 50 crores by 1980-81.

The association, however, stressed that three steps are necessary for accelerating exports. These are:

(i) Making available inputs at international prices;

(ii) Liberal assistance from financial institutions for enabling the industry to develop scientific marketing programmes which would show results in a period of three to five years; and

(iii) Revival of the domestic market.

The scope for exports of engineering and consultancy services to auto ancillary making units in the developing countries is also considered bright. There is stated to be a growing appreciation abroad of our auto ancillary units producing quality goods.

On its part, the association is doing its bit to foster exports through participation in trade fairs abroad. Such a participation in the Singapore fair recently resulted in the generation of firm on-the-spot orders to the tune of \$ 1 million and inquiries for a much bigger amount. In December this year, the association is participating in the Dubai fair. The market for Indian ancillaries is considered to be quite promising in the west Asian countries. The association will also be participating in the buyers-sellers meets to be organised in the USA by the Trade Development Authority.

With a view to reviving the domestic market, the association has called upon the government to have a second look at excise duties on both the components and the finished products of the industry with a view to avoiding the cascading effect of

these levies, taking into consideration also the levies on raw materials. Some thought, the association emphasises, is also needed to be bestowed on the high cost of fuel in the country which has adversely affected the operational cost of auto vehicles and consequently the demand for vehicles as well as the products of the ancillary industries. The association feels that the law of diminishing returns has set in the automobiles and auto ancillary industries and there is an urgent case for having a fresh look at the excise duty structure relating to the automobile industry. Increase in auto production, the association points out, can yield very wholesome results not only by stimulating production in such industries as steel, aluminium, copper and a host of other industries but also in developing tertiary employment in trade and servicing workshops all over the country.

The association has also drawn the attention of the government to the high cost of money which makes further investment in manufacturing facilities or marketing of auto ancillaries very difficult. If exports are to be stepped up substantially, the association thinks it is essential that more sophisticated equipment should be allowed to be installed in place of the worn-out machines. It has been suggested that approximately 25 per cent of the pre-tax profits of industrial units be allowed to be deposited with financial institutions with the provision that such amounts are to be used only for replacement and modernisation of plant and machinery.

Announcement

M/s. Saurabh Pustak Bhandar, Ahmedabad, have been appointed as our Subscription Agents. Necessary enquiries may please be made to :-

Saurabh Pustak Bhandar
615, Relief Road, First Floor,
Near Calicodome,
AHMEDABAD-380 001
Phone No. 31230

CENTRAL BANK OF INDIA

NUMBER OF BRANCHES

31st December,
1975

390

433

280

193

1296

Rural

Semi-Urban

Urban

Metropolitan

31st December,
1976

415

463

317

223

1418

STATEMENT OF POSITION LIABILITIES

(Rs. in Crores)

4.75

11.66

1180.53

84.01

12.42

16.77

1.30

0.90

0.40

1310.54

67.43

3.63

366.63

830.29

2.73

6.25

33.58

1310.54

Paid-up Capital

Reserves

Total Deposits

Borrowings

Bills Payable

Other Liabilities

Profit & Loss Account :

Net Profit

Less : Transfer to
General Reserves

Balance to be transferred
to Central Government

(Rs. in Crores)

4.75

12.86

1467.75

149.01

12.74

14.07

1.41

0.96

0.45

1661.63

ASSETS

Cash in hand and with Banks

Money at Call and Short
Notice

Investments

Loans, Advances and Bills
Purchased and Discounted

Land and Buildings

Furniture and Fixtures

Other Assets

104.89

2.20

468.91

1027.53

3.32

7.06

47.72

1661.63



Central Bank of India

(A Government of India Undertaking)

The Bank that moves out to people and places

A "people's plan" for economic development

A plan for India's economic development, prepared by a committee of experts constituted by the Indian Renaissance Institute, was released for public discussion by the Finance minister on May 15. Its title "People's Plan-II" harks back to the first "People's Plan" presented by the Institute's founder, the late M.N. Roy, in March 1944 to the Indian Federation of Labour. In this section, we publish a summary of the plan, an "open letter" from Mr K.D. Malaviya to Mr Charan Singh on "India's Economic Problems" and finally, an article on the "Khadi Economy" from the issue of this journal dated June 28, 1946. The relevance of each part of this collection to the rest will be easily appreciated by the reader.

IN THE year 1943, under the inspiration of late M.N. Roy, an all-India labour organisation called the Indian Federation of Labour set up a committee for preparing a plan of economic development for the country. In close consultation with M.N. Roy, and with the assistance of a number of economists, a plan was prepared by the committee and was submitted to the Indian Federation of Labour on March 10, 1944. The plan came to be known as the People's Plan and evoked a great deal of interest and controversy.

After the attainment of national independence, the government of India adopted economic planning as a national policy. The planning process commenced very hopefully with the first five-year Plan in 1951. By the end of the third Plan in 1966, Indian planning was clearly in the doldrums. Although much has been achieved by way of economic development, planning has not succeeded in removing poverty, reducing unemployment or increasing distributive justice. Some radical rethinking is therefore taking place. In this situation, the Indian Renaissance Institute, a society founded by M.N. Roy, adopted a proposal for the preparation of another People's Plan, to the called People's Plan-II. According to the resolution the plan should be a logical extension of the sound ideas, principles and directions contained in the People's Plan (1944), in the light of the developments which have taken place since 1943 in respect of (a) experience gained in India and elsewhere in the field of promoting economic development, (b) updated and refined data, and (c) concep-

tual and theoretical advances. Presented in the following pages is a summary of the plan drafted by the committee consisting of Mr V.M. Tarkunde, a leading jurist, trustee of Indian Renaissance Institute and a joint author of the People's Plan (1944); Dr G.R. Dalvi, Prof. Amrutananda Das, Mr N.K. Nair, economists and Mr V.K. Goel, a sociologist.

The Central Objectives of the Five-Year Plans: The declared objectives of plann-

POINT OF VIEW

ing in India, according to the 1950 resolution of the government of India, is "to provide a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community". This objective was to some extent elaborated or modified in the successive five year Plans in order to emphasize or clarify three central aims, namely, promotion of rapid economic development, ensuring social justice by reducing inequalities of incomes and wealth, and creating adequate employment opportunities.

A Candid Evaluation: The Indian eco-

nomy has, over the last twentyfive years, made considerable progress in many spheres and sectors of economic activities. The infrastructure of the economy has been strengthened and extended. The economy has acquired large quantities of modern industrial capital which has resulted in considerable progress towards industrialisation. The output of agriculture has also increased in a substantial measure. Considerable progress has been made in developing and diversifying the knowledge and skills of a large number of people. All this has resulted in bringing about a significant increase in the gross national product and to some extent in per capita income.

unsatisfactory record

However, tested in relation to the advance made towards the central objectives of planning it is clear that the record of planning in India is far from satisfactory. It is a striking fact that the economic conditions of a large majority of the people in general and of weaker sections of the society in particular have gone from bad to worse. Prices of essential consumer goods have substantially gone up. The number of employment opportunities has not kept pace with the number of job seekers. Inequalities of income, wealth and opportunity have significantly widened. In many a case, exploitation of the resources of the country has been inefficient and wasteful. Thus, instead of leading the economy towards progressive realisation of the central objectives, planning in India has in recent years virtually taken the economy into a state of stagnation.

Failure and Contradictions: The ineffective approach to developmental planning in India and the lop-sided priorities pursued in the five-year Plans have expressed themselves in many ways during the Plan era. First, the average rate of growth of gross domestic product has been declining in the successive five-year Plans. Thus instead of achieving the objective of accelerated economic growth, the economy tends towards a state of stagnation.

Second, (in the absence of a clear population policy) the rapidly growing population has virtually neutralized the gains in gross domestic product. Thus, though the gross domestic product has doubled during the Plan period, the successive five-year Plans could not make any perceptible improvement in the average living standards of the people.

Third, for want of rational and bold policies, equity in the distribution of income and wealth has not been ensured, nor has the appalling poverty prevailing among the 40 per cent of the population been eliminated. In fact, the absolute number of population within the poverty bracket went on monotonically rising during the Plan era. Fourth, a development strategy adopted for planning has resulted in an increasing wage bill of the economy, without being followed by corresponding increase in the supplies of essential wage goods. This has had the serious consequence of throwing the price level out of control. In fact prices of essential commodities rocketed during the Plan periods adversely affecting the weaker sections of the society. Fifth, the development strategy has led to heavy investments in the capital goods sector where the output capital ratio remains typically low. As a result the incremental output capital ratio has tended to decline at a faster rate, thereby lowering the growth rate of the economy (given the savings and investment capacity of the economy).

natural corollary

Sixth, a natural corollary of the given development strategy is the comparatively slow rate of growth of employment. This, coupled with the fact that effective labour supplies are increasing at a considerably higher rate, has led to widespread unemployment. In addition, the techno-industrial nature of the additional opportunities created remain unsuitable to the skills that can be acquired by the population of a developing society in the short run. This has the strange consequence that while there remains an army of unemployed, the jobs created are unfilled on the one hand, and capacities remain underutilised on the other.

This in a nutshell is our planning experience. Such an experience has its

origin in the lopsided order of priorities. It is this realisation that forms the basis of a meaningful revision of the priorities, a realistic reconsideration of the strategies and a consistent framework of an action programme, presented in the People's Plan-II.

The Basic Objective and Priorities: According to the People's Plan-II, planning in India during the coming twenty years or so should have the following as basic objectives:

(i) That the minimum primary consumption requirements of India's growing population should be met;

(ii) That the productive involvement of the masses in the development of economy should be ensured by generating adequate employment opportunities;

(iii) That economic growth on which the above two objectives are directly dependent should simultaneously ensure distributive justice; and

(iv) That the poverty prevailing among 40 per cent of the Indian population should be eliminated.

fundamental considerations

The above objectives give a plan framework, the fundamental considerations of which are: First, agricultural output has to be raised rapidly and its tendency to fluctuate severely checked. A thorough-going programme of land water management and agro-ecological reform must be the main instrument. Much of the work can be done by labour intensive methods with massive participation of the rural poor. Second, the pattern of land-distribution and land cultivation prevailing must be subjected to a rational reform. Consolidation and viable grouping of such holdings coupled with stronger implementation of ceiling laws and proper utilisation of community lands represents the major tasks. Third, the drive towards literacy needs to be based on development of area organisations of the rural poor, and leadership development within such organisations. Fourth, there should be a serious attempt to tackle the problem of regularising the channels of trade in essential commodities and their supply to poor households at adequately subsidised prices. Fifth, there is a need to develop

a viable small/household industrial sector. Sixth, attempts should be made to prevent the social waste implicit in the growing number of educated unemployment. Programmes both for reducing the production of unemployables and for the organising of socio-developmental activities in which educated unemployed can validly participate are essential. Seven, adequate emphasis has to be placed on population control and on effective methods for spreading family limitation practices, particularly among the weaker section of the society.

investment priorities

In this context the investment priorities of the People's Plan-II are as follows:—

(i) Since India's development performance both in terms of per capita product and the growth rate of employment will depend predominantly on what happens in the agricultural sector, the pattern of investment allocations in the People's Plan should be governed above everything else by the need for providing an adequate 'input-infrastructure-institutional' base for a sufficiently rapid rise in (a) the incomes of the agricultural sector, and (b) rural employment opportunities. The People's Plan aims at a comprehensive reconstruction of the rural economy through the development of agriculture, agro-based industries and cottage/household industries. Building up of necessary infrastructural facilities (both physical and social) also is of equal importance.

(ii) Since the supplies of primary consumption goods have been lagging behind their effective demand during the past decades, economic growth has not generated the required improvements in the standard of living of the masses. Therefore, sectors engaged in producing goods of primary needs (agricultural as well as non-agricultural) should receive priority attention in the matter of investment allocations.

(iii) Since improvements in the general welfare significantly depend on services such as health, education and other community development service including those to the underprivileged and the rural masses, outlays on these services sectors should be stepped up substantially. Apart

from satisfying the known socio-political requirements, this order of investment priorities would directly enhance employment potentials because of the low capital output ratio in this sector.

The tasks identified above have a natural and integral relationship with the kind of growth needed for poverty elimination. First, there must be a rapid growth and techno-organisational progress in the sectors on which the poor depend for employment: agriculture, animal husbandry, forestry, construction and public works, village crafts and small industry, small services units and minor transport. All other sectors must be treated for the time being an important only to the extent they provide necessary inputs and support services to these new priority sectors. Second, there must be a rapid expansion in the output of basic wage-goods industries, simultaneously followed by a deliberate attempt to curb the growth of non-essential consumption goods industries. Capital goods and intermediates goods sectors should be allowed to grow only to the minimum unavoidable extent on the basis of consolidation of inter-sectoral balances.

social services

Third, there must be a rapid extension of social service activities—family planning, child-care, education, community organisation and health directed especially at poor communities. Fourth, there should be an intensive attempt to improve the availability of drinking water, sanitation and housing levels of poor communities and slum areas. While, in the immediate future, resources and sectoral priorities may not permit rapid progress towards permanent solution of housing and community services problem, interim measure of a semi-permanent low-outlay type will have to be intensively pursued.

A growth strategy with the priorities outlined above and coupled with intensive attention to the tasks of planning mentioned earlier will serve not only for a vigorous action on the poverty problem but also will serve to accelerate growth. This belief is based on three fundamental factors. First, the new sectoral priorities will serve to weigh in favour of new in-

vestments towards high incremental output-capital ratio sectors and short-gestation projects. This will not be done indiscriminately, but will follow naturally from the sectoral priorities adopted. Second, by allowing for rapid expansion of basic wage goods output (industrial as well as agricultural) the new strategy will break the imbalance which has been responsible for continued stagnation along with inflation in the Indian economy. Third, by rationally restricting fresh outlays on capital goods and heavy infrastructure, the new development style will release resources for more meaningful growth promoting activities, particularly those using social services, as their main activating input.

A Twenty-year Developmental Perspective: Within the framework outlined above, the People's Plan tries to arrive at (a) a developmental perspective for the coming 20 years starting from 1978-79 and (b) a 10-year indicative plan for the period 1978-79—1988-89.

The resource generation assumptions made by the People's Plan are summarised in Table I.

With investible resources amounting to 19.24 per cent of GDP in 1978-79, the

fifth five-year Plan proposes a growth rate of 5.65 per cent. This involves an implicit incremental capital output ratio of 3.41:1. With a different pattern of sectoral emphasis and bias towards low-investment-cost technologies, it should be possible to hold the incremental capital output ratio down to 3.21:1 for the first 5-year period. This will allow a growth rate of six per cent per annum. For the next three quinquenniums, capital-output ratio may be allowed to rise successively to 3.41:1, 3.6:1 and 3.8:1 respectively, the rise reflecting the gradual shift towards emphasis on higher capital-intensity sectors and more capital-intensive technical options. The growth rates of GDP for the four quinquenniums are thus 6.0 per cent 6.16 per cent, 6.24 per cent and 6.38 per cent annually. This represents a slow but steady acceleration of the pace of growth as the resource-generation position improves.

The results of the process are summarised in Tables II and III. They indicate that the economy will grow more state-sector-oriented, that domestic saving will grow rapidly and the economy become relatively (though not absolutely) less dependent on net imports financed by foreign capital inflow. This type of

TABLE I
Resource Generation Assumptions During 1978-79 to 1998-99

	1978-79	1983-84	1988-89	1993-94	1998-99
Ratio of Disposable Income to GDP	114.12	114.12	114.12	114.12	114.12
Share of State Sector in DI*	16.64	18.30	20.13	22.14	24.35
Share of Private Sector in DI*	82.93	81.27	79.44	77.43	75.22
Share of External Sector in DI*	0.4	0.43	0.43	0.43	0.43
Propensity to Save in State Sector	27.63	30.39	33.43	36.77	40.45
Propensity to save in Private Sector	13.53	14.21	14.92	15.67	16.45
Ratio of Net Imports to DI*	1.04	0.83	0.66	0.53	0.42
Implied Share of Investible Resources to GDP	19.24	20.96	22.45	24.23	26.41

*Disposable income.

Source: Fifth five-year Plan, p. 110 for 1978-79 figures.

action will allow the mobilisation of resources without resorting to inflation.

Population : For purposes of the People's Plan, population in 1978-79 is estimated at 634 millions. Taking 1983-84 as the date at which birth and death rates will be compatible with long run population stability, the plan has derived the target figures as summarised in Table IV.

Food and clothing: Given the figures for disposable income and population the primary needs fulfilment levels of supplies of some leading consumption items are estimated in Table V. The per head physical consumption norms are those suggested in the report of the National Commission on Agriculture (Part III). The income elasticity relationships used are from F.A. Mehta, (The second India series—Economy).

Health: The basic needs targets for health services are estimated as follows. Health Department's population-based norms are used to estimate personnel requirements. For quantum of medical expenses needed to cover the bottom 40 per cent of the population, the World Health Organisation norm of Rs 15 per capita/year is adopted. It is also assumed that this will be roughly 30 per cent of total health services expenditure, private and public.

Education: An essentially similar procedure is followed for estimating basic needs in education. Population-based norms of the education department are used to estimate numbers of primary schools/adult education centres and secondary schools. A norm of Rs 18 per capita per year is adopted as minimum educational expenditure needs for members of bottom 40 per cent of the population. The outlay on poor people's education is set at 40 per cent of total educational outlays.

Housing : The basic target in the housing sector is to provide the bottom 40 per cent of the population with minimum habitation standards by 1998-99. This standard involves one housing unit of minimum satisfactory condition per standard household of five. This gives a target of 41.73 million housing units by 1998-99. This is the stock target.

At present there are around 37.85 mil-

TABLE II
Growth and Resource Generation During 1978-79—1998-99
(Figures in 1975-76 Prices)

	1978-79	1983-84	1988-89	1993-94	1998-99
GDP	770650	1031300	1390560	1882040	2564060
Disposable Income	879440	1176920	1586910	2147790	2926110
Public Sector Income	146380	215380	319440	475520	709000
Private Sector Income	729260	956490	1260640	1663030	2201020
External Sector Income	3800	5050	6830	9240	16090
Public Savings	40450	65450	106790	174850	286790
Private Savings	98680	135920	188090	260600	362070
Net Imports	5320	9770	10470	11380	12290
Investible Resources	148250	216190	312180	456070	677240

Source : Base-line data, fifth five-year Plan, p. 110.

TABLE III
Growth, Consumption and Savings During 1978-79—1998-99
(Figures in 1975-76 prices)

	1978-79	1983-84	1988-89	1993-94	1998-99
GDP	770650	1031300	1390560	1882040	2564060
Disposable Income	879440	1176920	1586910	2147790	2926110
Consumption	736510	940500	1285200	1703100	2261160
Domestic Savings	142930	206420	301710	444690	664950
Investment	148250	216190	312180	456070	677240

Source: Base-line data, fifth five-year Plan, p. 110

TABLE IV
Population Trend and Population Targets During 1976-2001
(Figures in millions)

Year	Population as per present trend (by Medium 1 Estimate)	Population target levels	Policy gap
1976	605.6	605.6	(actual)
1978-79	634.0	634.0	(actual)
1981	663.3	656.0	7.3
1983-84	693.2	684.5	8.7
1986	724.5	708.0	16.5
1988-89	754.7	733.0	20.8
1991	786.2	760.0	26.2
1993-94	819.3	784.9	34.4
1996	853.8	810.6	43.2
1998-99	888.4	834.6	53.8

Source : For trend figures, Registrar General of Census, Govt. of India. Population projection 1971 to 2001 AD.

ion housing units occupied by the bottom 40 per cent of the population. Around 80 per cent of this housing is critically substandard. Thus fully meeting the bottom 40 per cent of the population's housing minimum needs will involve by 1998-99 expenditure given in Table VIII.

Phasing: Evidently proper 'phasing' will be necessary in meeting primary needs targets by 1998-99. As far as consumption goods are concerned, the Plan adopts the targets of attaining up to 1988-89, growth rates which (if projected to 1998-99) will reach the Table V figures. It is also clear that the three targets concerning education (qualitative target), health and housing programme are difficult of simultaneous attainment. Therefore, if it is felt that (as far as the first two targets are concerned) the first decade should achieve one-third of the needed increase and the second decade two-thirds of the needed increase.

primary needs perspective

As far as the housing programme is concerned the four quinquenniums should involve expenditure of 0.1, 0.2, 0.3 and 0.4 per cent of the total estimated expenditure. Thus, our primary needs perspective is (a) meeting of lower estimate consumption needs by 1988-89, and fully meeting basic consumption goods supply target by 1998-99, (b) coverage and personnel norms of educational and health services fully by 1988-89 and qualitative expenditure targets by 1998-99, and (c) coverage of 3/10 of the minimum housing programme by 1988-89 and of the rest 7/10 by 1998-99. This seems to be, *prima facie*, the best that can be achieved by 1998-99.

Sectoral Growth Patterns: By 1998-99, the per capita income will rise from its 1978-79 level of Rs 1387.10 to nearly Rs 3506.00. This rise of 152.76 per cent in per capita income will, of itself generate a number of alterations in the sectoral composition of output. On the basis of a balanced structural pattern, the following would be the over-all structural change between 1978-79 and 1998-99.

Plan Perspective: A Comparison: As compared to the existing perspective (Table

TABLE V
Primary Needs and Consumption Targets

	Unit	Need 1998-99	Actual 1978-79	Increase (%)
Foodgrains	Million tonnes	167.00	125.00	33.60
Sugar	"	10.50	5.40	94.44
Gur	"	13.53	8.22	64.60
Vanaspati	"	1.72	0.61	181.97
Tea	Million kgs.	498	235	111.91
Coffee	" "	103	52	98.08
Tobacco	" "	474	283	67.49
Cotton clothing	Million metres	22,530	9,500	137.16

Gur actual 1978-79, obtained on the basis of residual sugarcane converted to gur. Source : (i) Fifth five-year Plan; (2) Coffee Board, five-year Plan; (3) Gur and tobacco estimated on the basis of trend method.

TABLE VI
Health : Primary Needs Targets

	Unit	1978-79 Actual	1998-99 Target	Increase (%)	Norm
Doctors	nos.	167,800	238,460	42.11	1:3500 persons
Nurses	nos.	103,200	166,920	61.74	1:5000 "
Auxillary Nurses and Midwives	nos.	83,200	166,920	100.34	1:5000 "
Sanitary Workers	nos.	39,230	83,460	185.53	1:10,000 "
Expenditure on Anti-Poverty Health Service	Rs million	n.a.	5007.60	n.a.	Rs 15 per capita
Total Health Service Expenditure	Rs million	1883.81	16692.00	786.08	not applicable

Source : Fifth Plan, Health and Educational Programmes: Annual Report of the ministry of Health and Family Planning (1974-75). The 1978-79 actuals have been estimated on the basis of planned additions to health personnel added to 1973-74 figures.

TABLE VII
Education : Basic Needs Targets

	Actual 1978-79	Need 1998-99	Increase (%)	Norm
Primary Schools (nos.)	487,980	834,600	67.60	1:1000 persons
Secondary Schools (nos.)	102,930	166,920	62.17	1:5000 "
Educational Expenses of Bottom 40 per cent of Population (Rs millions)	n.a.	7210.94	n.a.	Rs 18 per capita
Total Expenditure on Education (Rs millions)	3078.04	18,027.35	485.68	Not applicable

Source : Ministry of Education, yearbook 1976, page 12.

X) the People's Plan perspective has a greater emphasis on (a) construction, (b) transport, and (c) agriculture; and relatively lower emphasis on (a) electricity etc, (b) manufactures, and (c) services. Thus, the relative high growth areas of the People's Plan are (a) social services, (b) agriculture, (c) small industry, and (d) housing; and the relative low growth areas are (a) administration, trade and commerce and (b) large-scale industry. The much greater emphasis on rural public works, construction and transport are already evident. Due to this changed emphasis, the People's Plan perspective expects relatively a better performance in terms of aggregate growth. The performance is relatively impressive in terms of per capita income, since its rate of targetted population growth, 15.67 per cent, is much lower than the officially planned rate of growth which is 19.03 per cent, over 1978-79 to 1988-89. Thus, in the existing planning, per capita income rises by 47.98 per cent while in the People's Plan it increases by 55.98 per cent.

The Employment Perspective: The new job demand in the non-agricultural sectors has been estimated by dividing the output increments by the Central Statistical Organisation (CSO) figures for jobs per one million rupees of new output. An over-

all reduction of 20 per cent has also been applied in order to take account of productivity increase between 1978-79 and 1998-99. Thus, the estimates yield a figure of 165.32 million new jobs that would be created over the next 20 years in the non-agricultural sectors. On the basis of the population projections presented in Table IV and on the basis of the specific assumptions of a 95 per cent male participation and 45 per cent female participation rate in 1998-99, the potential work force is expected to rise from 199.21 million in 1978-79 to 288.29 million in 1998-99, a rise of 89.09 million. Beyond this, a backlog of about 14 million of open unemployed existing in 1978-79 is to be covered, so that by 1998-99 a total of 103.08 million new jobs are required in the non-agricultural sectors, merely to keep the situation as it is.

The net excess of jobs created over jobs required turns to be 62.24 millions. By 1998-99, the agricultural workforce will be 91.11 millions, as against 153.35 millions in 1978-79. At the same time, output in the agricultural sector will rise from Rs 371,068 millions to Rs 730,757 millions involving an increase in per worker product in agriculture from Rs 2419.75 per year to

TABLE VIII

Housing: Minimum Needs Programme 1978-79 to 1998-99

(Rs millions)

Renovation of and upkeep of 30 28 million units @ Rs 1000 per unit	30,280
Unkeep of 7.57 million units for 20 years @ Rs 20 a year per unit	3,028
New construction of 3.88 million units @ Rs 5000 per unit	19,400
Total	52708
Assuming Poor People's Housing to be 40 per cent of Total Outlay on Housing, said Total Outlay	131,770
or, an yearly average of	6518.50
Total investments on Housing 1978-78	1406.93
Gap in Investments in 1978-79	5181.57

Source : Ardeshir Dalal. Housing and the Poor, Manek Publications, Bombay, 1975: for "Conditions in 1978-79". HUDCO estimates of minimum upkeep, renovation and new construction for housing. Figures roughly average of EWS and rural housing scheme figures. Converted pro-rata to 1975-76 base. HUDCO, Low Cost Housing Programmes, 1973.

TABLE IX
Structural Change in the Indian Economy between 1978-79 and 1998-99
(Sectoral outputs as percentage share in GDP)

	1978-79	1988-89	1998-99
Agriculture	48.15	42.00	28.50
Industry	17.49	19.00	21.20
Electricity etc	0.94	1.00	2.00
Construction	4.21	6.23	9.20
Transport	3.48	3.80	5.80
Services	25.73	27.97	32.30

Source: For 1978-79, Fifth five-year Plan, p 17.

TABLE X
A Comparison of People's Plan Perspective with Fifth Plan Perspective
(Per cent)

Sector	Officially planned increase	People's Plan projected increase
Agriculture	48.16	57.40
Manufacture	104.00	96.05
Electricity etc	132.02	91.98
Construction	109.84	167.04
Transport	76.71	97.94
Services	101.05	96.09
GDP	76.14	80.43

Rs 8020.60 per year. It is expected that this change will more than suffice to eliminate unemployment and underemployment in the agricultural sector.

A Ten Year Plan for People's Prosperity: Assuming the aggregate growth perspective to be attainable and considering the upper-limit of aggregate public outlay thus being established, an attempt has been made to formulate an indicative 10-year plan for the period 1978-79—1988-89. In doing so, the sector-wise amounts of total investments are first divided on the basis of mobilisable resources within each sector and second, resources to be transferred to that sector. Adding such transfer needs together for the economy as a whole (excluding the administration sector), the amount of resources which needs to be mobilised to make possible the planned programme of sectoral investments, are arrived at. The total public investment

consists of these amounts and the finance raised by the government enterprises in each sector. The total public outlays are calculated by adding the necessary amounts of public non-developmental outlays in each sector. The total public outlays are then divided among 'programme sectors' of the plan. These sectors are different from investment sectors and include both consumption and investment components.

dimensions of the plan

The impact of the ten-year Plan is, thus, developed along the following dimensions: (a) the sectoral growth pattern is worked out in greater detail and growth targets of a number of critical subsectors are indicated; (b) employment generation figures for all major sectors are, thus, computed based on sectoral increments. The excess of the labour force increment over employment generation (in non-agricultural sector) is treated as the net increase of work force in the agricultural sector; (c) the employment pattern is then treated with the output pattern (both for beginning and end-plan years) and the rise in per worker productivity in agriculture is treated as a 'proxy variable' for reduction in agricultural under-employment; (d) the per capita income growth increase and its relationship with sectoral per worker productivity pattern is examined; and (e) finally the Plan's implication on the poverty situation is derived.

Resource Generation Potentials: Table XI indicates the estimated resources to be raised by the government.

Public Investments: The logic underlying the plan investment pattern (Table XII) is explained below:

1. Agriculture is an activity best developed under private initiative. However, it will require massive investment support. Similar is the situation for small industry. Thus, these two sectors show relatively high ratios of private and government (transfer) investments.

2. Large industry is a sector where both private and public sector investments should evenly collaborate. However, since the plan does not propose too fast an increment of this sector, the degree of 'transfer' is low.

3. Electricity is a sector in which there

is little private investment possibility. Self-generated government investments are also likely to be insufficient. This calls for a high rate of transfer.

4. The construction and services (less administration) sectors display fairly equal participation by private and public investment. But, due to high planned rates of growth in both sectors considerable transfer is required.

Considering the process of investment-financing, it is estimated that out of a total investment outlay of Rs 19,44,724 millions (less administrative investments), the private sector contribution will be of Rs 8,53,824 millions while the public sector raises Rs 10,90,900 millions of

which Rs 3,67,830 millions is financed from enterprise surpluses; Rs 5,97,599 millions out of budgetary surpluses, and Rs 1,25,471 millions out of external funds. Comparing this figure of Rs 10,90,900 millions of investment outlays with the figure of Rs 17,35,686 millions of total permissible public outlays of both investment and non-investment types, total non-investment outlay comes to about Rs 6,44,786 millions. In order that external dependence may be reduced, this outlay is cut down to Rs 5,40,000 millions. This allows Rs 8,27,980 millions to be financed out of budgetary surpluses and reduces the degree of external financing of total investment outlays. There is, thus, a total plan outlay of Rs 16,30,900

TABLE XI
Resource Mobilisation Limits During Ten-Year Plan Period
(1978-79—1988-89) (minimum estimates)

	(Rs millions)
1. Gross domestic product (Plan annual average)	1035198
2. Gross national product (Plan annual average)	1181368
3. Ratio of direct taxes to GNP in 1978-79	3.42 per cent
4. Direct taxes (Plan annual average)	40402.79
5. Total direct taxes	404028
6. Ratio of indirect taxes to GNP in 1978-79	13.32 per cent
7. Indirect taxes (Plan annual average)	157358.21
8. Total indirect taxes	1573582.10
9. Total tax revenue (5+8)	1977610
10. Savings by state enterprises as a ratio to GNP 1978-79	4.26 per cent
11. Planned rise during People's Plan	20 per cent
12. Rate of state enterprise savings	5.11 per cent
13. Government enterprise savings (Plan annual average)	60391.53
14. Estimated total surplus of government enterprises	603915.32
15. Foreign capital inflows (Plan annual average)	12547.11
16. Estimated total foreign capital inflows	125471.80
17. Total mobilisable resources without domestic borrowings (5)+(8)+(14)+(16)	2163472.4
18. Net borrowings, maximum	30 per cent of (17) above
19. Maximum public outlays without deficit finance	2812514

Note: The above 'minimum estimates have been generated by assuming (1) that rates of direct and indirect taxes will not rise above the rates they are planned to reach (according to official plans) by 1978-79; (2) that the proportion of surpluses of public enterprises to Gross National Product will rise to 20 per cent above its level in 1978-79; (3) that foreign capital inflows will be as shown in the macro-economic balance (Chapter Four: Table 4.2) and (4) that domestic borrowings will be limited to not more than 30 per cent of the total resources raised by the first three methods. These assumptions guarantee that the resource-raising visualised can actually take place. These are, thus, the minimum estimates of the maximum resources that may be raised by the government, without resorting to deficit financing.

millions of which Rs 10,90,900 millions is investment and Rs 5,40,000 millions is non-investment development outlay.

The programmewise allocations of the total outlays are presented in Table XIII. By comparing these allocations with the fifth Plan allocations it can be seen that the People's Plan-II lays greater emphasis on (a) agriculture, (b) irrigation and flood control, (c) housing, community facilities, etc. (d) education and (e) health, nutrition and family planning. Sharp reduction occurs in (f) industry (large), (g) transport/communications and (h) power and energy. Some of the apparent reduction is, however, a result of non-conformity in sector definitions. In Table XIV these comparative data are presented with appropriate changes in order to secure full comparability.

It is clear from Table XIV that the share of agriculture in plan allocations is raised from 11.82 to 15.28 per cent; the share of irrigation and flood control from 8.76 to 13.26 per cent; of education from 3.27 to 7.47 per cent; and of social and community services from 12.13 to 23.88 per cent. As against this, the share of industry reduced sharply from 25.96 to 15.20 per cent and of power and energy from 18.56 to 10.26 per cent. The share of

transport and communication also drops, but less sharply, from 17.51 to 14.21 per cent. In other words, from an industry-power-transport-oriented plan of the existing type, the emphasis has shifted to an agriculture-education-social services-oriented plan. The People's Plan lays stress on housing, community facilities on the one hand and on health-nutrition-family planning on the other.

Growth and Employment Generation: The above mentioned shifts in the investment pattern are primarily intended to generate a greater volume of employment per unit of additional income generated. In particular the aim is to generate a much faster increase in employment opportunities for *unskilled* labour (both urban and rural) so that employment generation may have the easing impact on the poverty situation.

The quantum of new jobs created (according to the People's Plan pattern) is 46.943 millions over the decade in the non-agricultural sectors. Applying parallel methods of analysis to the fifth Plan growth perspective, new job generation in non-agricultural sectors drops to 43.357 millions. In the same period, the labour force (calculated on population basis) rises from 199.21 millions to 244.81 millions, registering a rise of 45.60 mil-

lions. Thus, while the people's plan allows for a net absorption of 1.34 millions in the non-agricultural sector, relieving the under-employment pressure in agriculture, the fifth Plan variant leads to net surplus of job-seekers over jobs in the non-agricultural sector of 2.24 millions, who must be absorbed into agriculture, thus increasing the pressure of under-employment and unemployment.

As far as unskilled labour is concerned the growth pattern of the People's Plan helps in three ways. First, the increment of unskilled labour in the People's Plan is smaller (3.13 million) due to the expanded skill building and educational programmes. Second, the direct generation of unskilled labour demand through the People's Plan (40.787 millions) is 3.03 millions higher than that of the fifth Plan perspective (37.738 millions). Finally the People's Plan includes (over and above natural employment increments to be expected through growth), much larger programmes of direct supplementary employment creation. It can also be seen that while in the fifth Plan perspective 120.7 millions of new dependents will have to be supported by 44.46 millions of new jobs, in the People's Plan 99.5 millions of new dependents will have to be

TABLE XII
Investments and Transfers During Ten-Year Plan Period at 1975-76 Prices

							(Rs. millions)
Sector	Output increments	Capital ^b output ratios	Necessary investments	Privated investments	Government investments	Self financed investments ^c	Transfers (Govt. only)
Agriculture	213005	3.22	685764	274307	411458	329	411129
Small Industry	29336	3.25	95583	33454	62129	311	61818
Large Industry	100049 ^a	5.08	509020	274870	234150	187320	46830
Electricity	6663 ^c	4.21	28051	51	28000	7000	21000
Transport	26026	4.21	83543	44790	38753	27127	11626
Construction	54193	4.60	249288	108963	140325	49114	91211
Services	152046	1.93	293475	117390	176085	96629	179456
Sub Total	581388	3.34	1944724	853824	1090900	367830	723070
Administration	38522	3.27	125775	0	125775	(723374) ^g (827980) ^h	(-597599) (-702205)
External Sector ^f	—	—	—	—	—	—	(-125471)
Economic Balance	619910	3.34	2070944	853824	1216675	—	(-125471) (-206850)

Note: (a) Include 'mining'. (b) CSO estimates except for 'administration' and 'small industry' which are derived as 'residual'. (c) Power generation only. (d) Private investments, (e) Self-financed investments, (f) External funds inflow, (g) allocations before considering public outlays other than investment. (h) allocations after considering other outlays.

supported by 52.05 millions of new jobs. The dependents' incremental ratio improves, thus, from 2.67:1 to about 1.81:1.

Growth and People's Prosperity: In aggregate terms, the People's Plan expects to achieve a rise in Gross Domestic Product by 80.04 per cent over ten years. As population rises during the same period by about 15.85 per cent, a rise in per capita GDP of 55.41 per cent is anticipated. This will take per capita income from Rs 1387.13 to Rs 2198.86 in 1975-76 prices. In the meantime, the per capita income of the bottom 40 per cent of the population is expected to rise from Rs 520 to Rs 963, a rise of about 100.62 per cent.

This higher rate of increase in the case of bottom 40 per cent is attained mainly through, (a) the impact of the plan on the demand for unskilled labour, (b) the massive outlays on services specifically included to benefit the weaker sections like education, health and housing, (c) the direct and indirect contribution from the primary consumptions fulfilment programme, and (d) the over-all bias of the Plan in favour of the bottom 40 per cent. Calculating likewise for the fifth Plan variant fields a per capita income for the poor group of only Rs 785.45. Thus, there is a gain in the People's Plan of over Rs 164 per head in the final average annual income of the bottom 40 per cent of the population.

Phasing of Priorities within the ten-year plan: Within the above-specified over-all structure of the 10-year plan, there have to be significant variations in the pattern of allocations over time. The reason behind this is that (in any process of shift from one strategy of growth to another) there must be an intervening 'transition phase' in which the imbalances of the previous strategy are corrected. Only after this phase can growth along the new strategy begin in earnest. The People's Plan-II, therefore, visualises a three-year 'transition phase plan, covering the first three years (1978-79—1980-81) of the 10-year plan outlined above.

The investment and growth pattern envisaged during the transition plan is presented in Table XV.

Thus, while out of a total increment in

TABLE XIII
Programmewise Allocations of Outlays During the Period 1978-79—1988-89
(At 1975-76 prices)

Sectors	Investment	Non-investment	(Rs million)	
			Total	Per cent share
Agriculture and Allied Sectors	2,20,202	29,050	24,962	15.28
Irrigation and Flood Control	1,91,256	24,940	2,16,196	13.26
Power and Energy	1,00,800 ^a	26,500	1,34,500	8.26
Industry and Mining	2,16,279	31,690	1,47,969	15.20
Small Industry	62,129	8,103	70,229	4.31
Large Industry	1,54,150	23,590	1,77,740	10.89
Transport & Communication	78,753 ^b	22,547	1,01,300	6.21
Housing/Community Facility etc.	1,20,325 ^c	1,36,595	2,56,920	15.75
Education	46,085	75,900	1,21,985	7.47
Health/Nutrition/Family Planning etc.	10,200	1,80,768	2,82,786	17.33
Rest of Plan	8,000	12,000	20,000	1.23
Total	10,90,900	5,40,000	16,30,900	100.00

a. Does not include distribution costs. Includes "energy sector" investment in large industry (coal, petroleum etc.) b. Includes Rs. 40,000 million investment on communication, does not include intra-urban transport. c. Includes power distribution and intra-urban transport.

TABLE XIV
Comparison of People's Plan and Fifth Plan Programme Outlay Ratios

Sector	Per cent allocations	
	People's Plan	Official fifth Plan
Agriculture and Allied Sectors	15.28	11.82
Irrigation and Flood Control	13.26	8.76
Power (with distribution cost added)	10.26	18.56
Industry and Mining	15.20	25.96
Transport/Communication (Intra-urban transport added)	14.21	17.51
Education	7.47	3.27
Social and Community Services	23.08	12.13
Rest of the Plan	1.23	1.99
Total	100.00	100.00

Source: Fifth five-year Plan, p. 52

TABLE XV
Growth in the Transitional Phase

Sector	(Rs million)			
	Output 1978-79	Output 1981-82	Increment	Investment
Agriculture and Allied Sectors	3,71,068	4,34,970	63,902	2,05,629
Industry and Mining	1,34,769	1,60,646	25,877	1,20,900
Electricity etc.	7,244	8,577	1,333	5,610
Transport	26,819	32,014	5,205	16,709
Housing/Construction	32,444	43,282	10,839	49,858
Services	1,98,306	2,59,124	60,818	1,17,390
Total	7,70,650	9,36,614	1,67,964	5,16,096

Gross Domestic Product of Rs 619910 million over the 10-year period, about 27.09 per cent is accounted for in the transitions phase about 24.92 per cent of investments being accounted for during the same period.

The investment allocation for the three-year Plan (1978-79—1980-81) have thus been attempted with a view to ensuring a smooth transition from a heavy industry-capital-goods-oriented fifth five-year Plan to an agriculture-services-oriented People's Plan, envisaged in the 10 year development Plan. The broad allocations indicated in Table XV adhere to the new scheme of priorities evolved for the 10-year development.

Salient Features of the People's Plan-II: The significant features of the People's Plan II (in comparison to the fifth five-year Plan) are:

First, the economy becomes relatively less rapidly industrialised while modernising faster in terms of social services, public utilities, housing standards and agrarian economic conditions. Second, industrialisation is relatively more small-industry-oriented and consequently more capable of dispersal and positive interac-

tion with the rural environment. Third, there are small but distinct gains in terms of slower population growth, faster economic growth and a faster rise of per capita incomes. Fourth, the state sector becomes increasingly involved with provision of services and public utilities and has relatively less to do with industrial growth. Fifth, transport and construction receive greater emphasis, while the emphasis on power generation is reduced. Sixth, the process of growth becomes somewhat more consumption-oriented and somewhat less capital-accumulation-oriented. The major gains in consumption are, however, in terms of basic necessities and social welfare services. Finally, because of the labour intensive nature of the growth process, generation of more employment opportunities is rendered possible, when compared to the official variant. Each of these features testify to a better balance between growth and social justice requirements in the People's Plan perspective. In conclusion the strategy and approach suggested by People's Plan-II will generate and sustain that kind of economic development which will help in raising the real standard of living of the more of Indian people.

II

K.D. Malaviya writes to Charan Singh

DEAR CHAUDHARY Sahib—As this involves public matters of great implications, I take the liberty of writing to you openly on your reported views which you have expressed as preface in your latest book on "India's Economic Problems." You have called for Gandhian solution to the country's economic problems and blamed Jawaharlal Nehru for giving up "Gandhiji's ideas etc etc." I regret to note that you have brought Gandhiji's name in the solution of India's most baffling problems of economic betterment. If Gandhiji had lived today to see your comments, I am sure he would have laughed at it because in the fastly changing conditions of the world Gandhiji would never have imposed his views which could at best be described as experiments with truth. I am sure he would not have hesitated to change his experiments the moment he had seen the magnitude and depth of the problems that we faced in our socio-economic eman-

cipation immediately after attaining freedom and under new situation.

We need not try to make matters emotional by mentioning Gandhiji's name for solution of problems where only deep and objective understanding is needed, first to identify the problems and then to find solutions for them. In spite of the fact that Gandhiji was all in all an inspiration for me and in spite of the fact that on his behest I started my political career at the age of 19 and went to jail 11 times under his inspiration and also that of Jawaharlal Nehru, I cannot say today that Gandhi or Nehru had really identified all our social and economic problems correctly. It has further to be noted that Gandhiji had never laid down any theory for finding solutions to our future problems. We are today so much involved in a world system that it is not only agriculture or industry that have to be considered in their proper perspective but other matters like

the new culture, demands of the new society and in this background I can unhesitatingly say that Jawaharlal Nehru had developed far more perspective vision to read the future than any one of the present or past leaders. He also told us how to look more objectively to matters and watch what others were doing to solve problems like ours.

a sound base

Time alone will prove, my dear friend, that our national democracy will have to undergo many more evolutionary if not one or two revolutionary changes before we can find solutions of many of our pressing problems. Our Congress party is bound to reorganise and streamline its functioning soon. We will survive because we have a sound base of politico-economic functioning. The Indian National Congress of which you were also a member till quite late, held a seminar at Ooty in the first week of June 1959 in which they accepted the view that "the cooperative and public enterprise sector will increase steadily" and that "the public sector, the large scale private sector, the small scale industry and cottage industry should all function as integral part of the national economy inspired by the common ideal of promoting social objective." The governments since then have been moved by the spirit of the recommendations of that seminar and laid emphasis on the following items for immediate implementation other than agriculture:

1. Free and compulsory education up to the age of 11.
2. In the case of children with merit free education at the secondary and post secondary stage.
3. Free medical check up of all children in schools and institutions.
4. Free mid-day meal to all children in primary schools and the care of the handicapped children.

They made several other urgent recommendations which were essential for rapid development of our society. I say all this to emphasise my view-point that the emphasis on agriculture alone cannot find solutions of all our problems and that if you do so at the cost of industrial development and educational reform you will be utterly playing in the hands of vested

interests of capitalist countries and our freedom will be in real danger because of economic dependence on others.

Let me now return briefly to your great emphasis on agriculture over industry, I felt very sad to read your view on modern industries and felt how miserably you ignored the great potential applicability of major industries to India in the changing world and its role for our agriculture. I find it difficult unfortunately to enter into any dialogue with you because of your completely ignoring the basic fact that modern agriculture depends wholly on major industries and that a country with such a rapidly increasing population cannot now think of unit village sufficiency in the whirlwind of changes and addition to our social and economic problems. Eighty per cent of our population is still living in the rural areas far away from common amenities of life. They live and die and produce children in the dirty environment where even lower animals and man get dangerously infected by fatal diseases; and still people talk isolatedly of agriculture and forget the total aspect of our approach. This almost is a pre-historic mentality.

interdependence

Planning for agriculture, as we know, includes planning for industry, transport and communication. Without communication, without electricity, without transport, rural India will remain pitifully backward, poverty stricken and disease prone. If you want to ignore industrialisation and forget planning for big industries, you will have to import machineries which will necessarily be needed for agriculture—tractors, pumping sets, railway wagons, engines, hydroelectric power equipments, generators, transformers, artificial fibres, polythene tubes, drinking water machineries, sterilisers, disinfectants, fertilisers and what not.

The total outlay of our Plans is, according to my calculation, 70 per cent linked with development of agriculture. How can agriculture improve without these products which are the direct products of an industrial culture which takes its own time to develop. Thanks to Jawaharlal Nehru we have entered into that age of industrialisation in the country where with

determined care and stern steps we can make our industrial age in tune with our ancient tradition of simple life and great prosperity. But do not forget that this soft blending of modern industrial culture and age long inheritance of our simplicity will be easy to do. You will have to get rid of our parochial attitude on life and be ready to part with some of our fallacious premises brought down from decades in an environment of colonial ignorance and perpetuated whims. We cannot afford now to be fanatically narrow-minded and stick to a rigid framework of mind which can make us blind. No, we must be ready to give up our old notions, be more scientific and truthful in dealing with our new experiments and feel sorry for the mistakes that we might discover in this process.

Nehru's role

You have deliberately criticised Nehru and socialism, public sector and planning. I can only feel sorry for your backward thinking. But your reference to Gandhiji's efforts to build India from bottom upwards and making the village the centre of development for the uplift of the poorest and the weakest appear to me as misfit in your thesis. How did Nehru go the reverse of this? Was not great emphasis laid on small as well as major irrigation schemes? Were not dams built in the early stage of freedom? Were not efforts made to produce and improve seed for our agriculture and were not serious efforts made for land reforms which even today remain totally incomplete because of the reactionary bungling and dishonest attitude of those who should have listened and accepted the advice of Nehru and Gandhiji? You talk of agricultural development without depending on other development schemes. To me it carries no sense and we can never agree and I hope a majority of your colleagues in your government will also not agree with you. You stand aloof in your effort to make agriculture a completely separate plateau without any support from below of industry and other developmental programmes. It is impossible and sooner you get rid of this notion the better it is. If your government by any chance will accept your view as reported in the papers on the

isolated emphasis on agriculture and if you are going to say goodbye to perspective planning for integrated development, then I am sure you will throw our country into a cauldron of destruction. You will destroy the aspirations of millions of young men and women who are not going to listen to outmoded concepts.

futile thinking

The charkha and the spinning wheel was good for a time and for political purposes; it fit in well with the philosophy of village sufficiency. But this concept of village sufficiency is gone and is dead in the context of rising population, expanding desires and shortening of the world distances. Where knowledge has come nearer to India, where technologies are engulfing the whole country, where the youth has seen the day of tomorrow along with its prosperous prospects, it is futile to talk of theories based on villages as economic units. Food, clothing and housing for the nation will be available only when we build our country with the assistance of modern knowledge which gives us one lesson and this is essentiality of amalgam between industry and agriculture. Every industry that develops in India has very direct approach to agriculture.

Village and cottage industries have their own rightful place in the country like ours. They have to be attended to. But in spite of the fact that they were attended to in the last decades when almost all present leaders of the Janata Morcha Party had something to do with it, no appreciable progress was made. The concept of agro-industrial centres, building up of cottage industry towns, all have come and gone. While recognising their due place in our picture of development, we cannot lay over-emphasis on it, because even small industries have to depend upon major raw materials which must be produced in India and cannot be imported from abroad. Small scale industries will succeed only in a healthy socio-economic background. I can make a safe prediction that if socialist planning is not given a go-bye, if the policy of the past government for industrial growth and perspective planning is followed with all its increasing implications, then India will not only become self-sufficient in food and clothing, but it can export its

food and textiles also. But in this, involvement of major industries is a must.

We have almost reached an impossible situation in our land reforms. But legislative reform of owning land by the peasantry alone has not much of a relevance left now unless we look at the whole question of agricultural production in a scientific manner and as one total. So please revise your notions about delinking agriculture from major industries or trying to separate them *en bloc*. The one is wholly dependent on the other and therefore inseparable. Politicians must not talk of drawing lines between them unless they are wholly cut off from fastly changing situation and India's total involvement in the world forum of social and economic

activities. On the one hand I hope that your government will lay greater emphasis on more rapid production and distribution under controlled conditions and on the other hand those who think like you on agriculture will revise their opinion if you want to make any headway in building a party. But where is the party without a programme and where is the programme of your party? I will be eagerly looking for it in the days to come.

Yours sincerely,
(K.D. Malaviya)

Ch. Charan Singh
Minister of Home Affairs,
Government of India,
New Delhi.

III

Eastern Economist on "Khadi Economy"

—June 28, 1946

AMONG ALL that India owes to Gandhiji, his conception of 'Khadi Economy' stands out prominently. Under him has grown in India, a school of economic thought which preaches the Khadi cult. Although the practice of spinning on the *Charkha* never ceased in India, it was for Gandhiji to re-discover its potentialities and revive this ancient occupation. It is mainly owing to his faith and efforts that the *Charkha* today is the symbol of Indian political and economic emancipation. Apart from its political and spiritual significance, Khadi, according to Gandhiji, is the core of Indian Economics. In his book 'Economy of Khadi', Gandhiji writes, "The study of Indian Economics is the study of the spinning wheel". With this statement as a foundation, protagonists of Khaddar have attempted to build a system of Economics which is popularly known as 'Gandhian Economics'. Opinions differ on the effectiveness of the 'Gandhian Economics', but an evaluation of its merits and demerits is not a part of this study. At present, we propose to confine ourselves to a critical examination of the fundamental principles of Khadi Economy.

The political and economic arguments advanced in favour of handicrafts produc-

tion may be summarised as under. The elimination of the *Charkha* marked the period of economic bondage in India. Although India ranks as one of the biggest cotton producing countries, it is an irony of fate that she does not manufacture enough cloth to clad her people. To ship raw cotton abroad and get manufactured piece-goods at comparatively high price is a bad bargain. Dependence on foreign countries for clothing is one of the weakest parts of Indian economy. Khadi claims to strengthen this weak spot and make us self-sufficient for our clothes. If we take to Khadi, drain of a substantial wealth to foreign countries as payment for textile piece-goods can be stopped. And what is more remarkable, the millions of rupees thus saved can be distributed among the poor people of the country and also provide gainful employment to millions of unemployed and under-employed people.

Thus Khadi claims to cure India's chief economic ills. As a specific remedy for poverty—the crux of the Indian problem—Khadi is said to have remarkable potency. India is a land of agriculturists. The income derived from the land by the peasant is insufficient to maintain himself and his family. Generally the peasant is

without work for three to four months in a year and can very well utilise this time in some other productive work, which could supplement his income. As a subsidiary industry, Khadi spinning is *par excellence*. It is the easiest and the cheapest home industry, which can be carried on in our villages. It requires very little capital. It can easily be learnt and requires no special skills or training whatsoever. It has been demonstrated that by spinning alone a man can earn three to four annas per day. Although this amount is small, it is quite significant in relation to the present exceedingly low level of our people's income.

subsidiary occupation

While admitting that as a subsidiary occupation Khadi spinning among other cottage industries has a place in the backward economic conditions of the country, it is desirable that its exact place in the national economy should be properly appraised. Can Khadi be a sound long-term economic policy for the nation? What is its place in India's planned economic reconstruction? Is it possible to depend on Khadi alone and discard mill cloth entirely? What part of the nation's resources should be devoted to Khadi production? Clarification of these issues is necessary because Khadi has been the creed of the leading political party which will have a decisive voice in framing our provincial and national economic policies. And in the first flush of power, there is a danger of being swept away by ancient sentimentalities in evolving and implementing economic policies.

Suppose India embraces Khadi economy. It plans to produce 800 crore square yards of cloth on the basis of 20 square yards per capita consumption. Assume that a Khadi worker works for eight hours a day and for 300 days in a year. How much labour will be required for different processes of Khadi production? Let us take spinning first. On the assumption that one worker spins about 2,400 yards of yarn of 16 counts and 3,000 yards of yarn are required to prepare one square yard of cloth, about $1\frac{1}{4}$ men or one man will take about 10 hours for spinning yarn sufficient to manufacture one square yard of cloth only. In all about 3.30 crore

of workers will be necessary to spin yarn, which will make 800 crores square yards of cloth. Again on the basis that a worker winds, warps and weaves $2\frac{1}{2}$ yards of cloth in eight hours per day, about 1.06 crores men will be required to manufacture 800 crores yards of cloth. Ginning usually takes about five per cent of the spinning time and so will engage 0.16 crore workers. Carding, etc. would take about $12\frac{1}{2}$ per cent of the labour required for spinning and will employ about 0.42 crore workers. Thus the total number of men required for only manufacturing processes of Khadi will be 4.94 crores or about five crores roughly. But manufacturing is not the only process in Khadi production.

labour involved

A large number of workmen will be required for growing and collecting raw material, and preparing implements and accessories for Khadi production. Each worker will need at least one *Charkha* and therefore, 330 lakhs of *Charkhas* will be required. Of these at least 100 lakhs of *Charkhas* will be renewed annually. On the basis that one man can prepare 100 *Charkhas* a year, 10 lakhs of carpenters will be required. About 30 lakhs of workmen will make five lakhs of looms, which will be required for Khadi production. On the assumption that one lb of cotton gives $3\frac{1}{2}$ yds. of cloth, about 55 lakhs of bales of 400 lbs each will be required. If we take into account the labour required for producing, collecting and transporting this huge quantity of cotton, and for making ginning implements and accessories we can safely estimate that at least seven crore workers, representing 18 per cent of the total population will be employed in Khadi production.

But in order to have a more precise idea of the impact of Khadi production on the total labour force of the country, we shall take into account only the effective part of the population. Complete statistics giving the exact number of labouring population in India are not available. Generally speaking 40 per cent of the population is considered to be effective. Application of this formula to

India needs to be qualified in view of the low vitality of the people and the comparatively young age from which man begins to earn bread in our villages. But accepting it as a broad basis, we may roughly take 16 crores as the working population of India. According to our calculations, seven crore workers who will be required for Khadi production will represent 43.7 per cent of the labouring population. That is to say, a substantial part of the nation's man resources will be absorbed in only providing for the elementary need of clothing. With the remaining nine crores, India will have to grow food, build houses, exploit mines, run transport, govern, police and protect the country, and provide health and educational facilities etc. According to 1931 census agriculture alone and exploitation of animals and vegetation absorbs more than 11 crores out of a total working population of approximately 16 crores. Thus the production of cloth and food absorb between themselves the entire working population. There will be no houses, no electricity, no paper, no glass, no books, no education, and nothing of the millions of goods and services that are necessary for civilized existence. In fact, the success of Khadi is in its partial achievement. As subsidiary industry for seasonal occupation such as agriculture, the *Charkha* certainly has a place among the cottage industries, but as

an economic policy for the nation it spells pauperism.

Then there is the stock criticism against Khaddar that it is costly, less durable, and does not satisfy the aesthetic taste of the people. Compared with Indian mill made cloth, Khadi loses its ground. At pre-war rates average Khadi was $2\frac{1}{2}$ times more expensive than mill cloth, while superior Khadi would cost even more than three times. The strength of Khaddar has yet not been measured accurately, but certainly it is much less than mill made cloth. It is estimated that the effective strength of Khadi is only 60 to 70 per cent of that of ordinary mill made cloth. It has been computed that the cost of manufacturing one lb. of cotton into calico in a mill is 8.5 annas, while that of converting it into Khadi is 30 annas. This however, is to state the case on a severely economic plane. If the community accepts the system with open eyes and is prepared to bear the cost of its adoption, higher costs of production and denial of other good things of life, we cannot commend its wisdom. It would be a wanton waste of human and material resources. *Charkha* and Khadi, as supplement to other forms of production—YES under certain conditions. But as complete substitute for them—they cannot be recommended.

Notice under Section 9 of the Indian Iron & Steel Company (Acquisition of Shares) Act 1976.

Claimants for compensation in respect of shares both Preference/Equity held in the Indian Iron & Steel Co. Ltd. are required to file at the office of the Commissioner of Payments (IISCO Shares) No. 234/4, Acharya J.C. Bose Road, Calcutta-20 proof of their claim under Section 9 of the Indian Iron & Steel Company (Acquisition of shares) Act, 1976 within 14 days from the date of publication of this Notification. Claimants failing to file the proof of claim by the above date shall be excluded from the disbursement to be made by the Commissioner of Payments (IISCO Shares).

While filing the proof of claim, the claimants shall quote the date of this notification indicating their names and addresses in full.

davp 606(6)77

Jobless : a menace to western society

E. B. Brook

If two-thirds of the world population begin to develop and want to buy, there is going to be enough trade for everybody. This argument is gaining ground in Europe as its workless people continue to increase. It is asserted that if the developing countries achieve an economic growth rate of five per cent per annum it will increase west European exports by nearly 20 per cent within a decade.

MORE THAN formulae for international commerce that may emerge from the north-south dialogue in Paris promise of a more equitable deal between the industrially developed one-third and the less industrially developed two-thirds appears to be emerging from the increasingly dire necessities of the fully industrialized countries. If the London summit showed up anything more clearly than all else it was that the USA, Britain and the rest of western Europe are afraid of their unemployed.

is a social menace. Unrelieved and allowed to grow even more immense, this body of workless people could force a change in the western social system. It is prospect of this change that makes western politicians nervous and ready to look for economic avenues of relief that could be of immense benefit and relief to the industry and commerce of Asia and Africa.

The argument emerging is very unfamiliar. Hitherto and still prevailing is the argument that trade opportunities for the

be enough trade for everybody'—and, if enough trade, considerably less unemployment.

It is argued that if industrially developing countries were able to achieve an economic growth rate of even five per cent it would give opportunity for an increase of nearly 20 per cent to exports from western Europe within a decade.

stimulating purchasing power

The British are not the only ones speaking in this new tone. A similar argument has been put forward in Brussels. The European Community Commissioner for Development, Mr Claude Cheysson, is particularly concerned that the purchasing power of industrially developing countries should be sustained with sufficient loans and, above all, with credits. He declared recently that very large sums were needed, many billions of dollars, to stimulate the purchasing power of industrially developing countries in the interest of the west European countries and, especially, of the nine members of the European Community. He argued that it would be a fact of significant advantage to west Europe and the USA that the industrially developing countries had been obliged to run up huge debts in recent years. If these countries had, as do a few western countries, tried to cut back on imports to help correct their balance of payments deficits the effect on the European Community countries could have been some three million more unemployed than they have even now.

The economic summit in London early this month uttered more quietly and guardedly similar sentiments. It spoke of world economy as a whole and of the inter-relationship between all states in economic and financial issues. The world economy could only grow, the summit communique said, on a sustained and equitable basis if industrially developing countries shared in that growth. Growth

WINDOW ON THE WORLD

Mr Callaghan said so almost openly when he referred to the high level of worklessness among the youth of western Europe. In a few weeks' time, when another school and university term ends, about half a million more young people will be thrown on west Europe's labour market with almost no hope of finding a chance to learn a trade or earn money. From school to unemployment relief will be the lot of many young people eager to make their way, from the so-called 'iron curtain' westwards.

The western statesmen are right in thinking this huge number of workless young people, reinforced by a few million older men also unemployed,

industrially developing states may be encouraged but not allowed to interfere dangerously with the industrial output of western countries. Behind that attitude lies the furore over textiles. It is an attitude that will die hard among both employers and employed in west Europe. But they are beginning to argue that Asia and, to a lesser extent, Africa, could be a vast market for west European and American goods if only it was able to exercise more purchasing power. Some recent government speeches in Britain have expressed this point of view. 'If two-thirds of the world's population begin to develop and want to buy,' said the British minister for Overseas Development, 'there is going to

Overall would benefit both the old industrial states and the new ones.

Somewhat unwontedly noble and reasonable sentiments from those who have been resisting obstinately the new industrial states; idea of buffer stocks of essential industrial commodities to help preserve reasonable purchasing prices! It will still take a good deal of calculation to persuade western countries, even though they fear social unrest from their unemployment, that by helping to finance the new industrial countries' development they will be helping themselves. The argument contradicts too openly the conventional idea that the safest policy is to be strong oneself and that credits to newcomers in the world of industry and commerce should be very guarded.

Among the voices heard stressing the new argument has been that of the Indian ambassador to the European Community, Dr K.B. Lall, who argues that an increase of spending of one billion dollars in India could reduce unemployment in Britain alone by about one-half per cent. Last month the Commonwealth Secretary-General, Mr Ramphal, presented the case for world cooperation in trade and in reducing worklessness to the joint economic committee of the United States Congress. He was able to show that exports of manufactured goods from the industrial countries to the

new industrial countries were not only substantial but increasing. In 1975 as much as 84 per cent of imports of manufactured goods by industrially developing countries came from the fully industrialised states; from north America 32.3 per cent of exports of manufactured goods went to industrially developing countries, from the European Community 19.8 per cent and from Japan as much 42.6 per cent.

In this trade between the fully developed and the developing states the latter have three-quarters of the population but only one-fifth of the income. If the purchasing power of the developing countries were greatly expanded, preferably by credits, world trade, and therefore world employment, would greatly expand.

The Commonwealth secretariat paper presented in Washington analyses the trade figures and suggests that, with the exception of textiles for the present, if the industrially developing countries were able to increase their exports of manufactured goods by half straight away—an increase of a speed quite impossible in industrial practice—it would still amount to only four per cent of the current level of total imports of manufactured goods by the fully industrialised countries.

Another, the significant, consideration is that the new industrial states spend their export earnings largely and almost at once on goods produced by the western indus-

trialised countries. There would therefore be a two-way expansion of trade to the benefit of both sides. Trade restrictions in the west which stop Asia and Africa from selling their products in the western industrial countries help to destroy jobs in both the industrially developing and developed countries. It remains to be seen at Paris how deeply the new thought has penetrated the effective politics of the western states.

The prospects for the north-south dialogue are that anything like a united front by the seven richest industrial powers in discussions with the developing states is improbable. It had been hoped that the leaders at the London summit would at least have reached some agreement on a common fund to help commodity producers, either by supporting prices or by stabilising earnings. All that appears finally to have emerged from London was a limited agreement in principle on a fund which will be set up only as and when individual commodity agreements are negotiated. The limited approach would do nothing significant to bring the talks in Paris and within UNCTAD to any sort of conclusion. This much is certain—that an uncertain and concerned western world is likely to be considerably more amenable to progressive solutions than one sitting tightly on social security. If worklessness grows there will not be overmuch security to sit tight on.

Integrated rural development in Asia

Hardev Singh

The United Nations Economic and Social Commission for Asia and the Pacific has many programmes for rural uplift. The author details the decisions taken on many of them at the recent session of the commission held at Bangkok.

INTEGRATED RURAL development emerged as the central theme at the recent session of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) held at Bangkok. A plan of action on rural development to promote greater economic and technical cooperation between developing countries highlighted the session, nearly 415 million people, or three-fourths of the world's poor, live in the ESCAP region in abject poverty, of which about 355 million are in the rural areas.

The concept of "integrated rural development" is based on two facets. In the first instance, projects are integrated in the sense that all the rural people of an area, and not just the elite, participate in and benefit from them. Second, the activities of all the United Nations agencies concerned with rural development in Asia and the Pacific can be co-ordinated under ESCAP. The principle underlying the ESCAP programme of work is that while responsibility for rural development rests essentially with national governments,

external agencies can provide valuable assistance in specific areas.

The main aim of the proposed programme is to provide experts and information to help national governments on specific project. These experts can help devise techniques or models for integrated rural development. In planning these activities, due account is taken of the fact that there is no single model or technique for successful rural development. The ESCAP, however, proposes to support governments in their experiments with projects that promote it.

As a part of its effort to tackle the problems of rural development the ESCAP secretariat has already made village level case studies on the interaction between

small farmers and institutions designed to promote development among the rural poor. In addition, ESCAP has recently devoted substantial resources to promote a sharing of technical skills by developing members. This programme of Technical Cooperation among Developing Countries (TCDC) is being encouraged by all United Nations agencies and organizations. The Commission has asked each member government to create a TCDC "focal point"—a particular government department or section—to help organize and administer regional projects involving technical cooperation.

The experts at the Bangkok meet believed that it was possible to improve the functioning of rural institutions such as credit, marketing and extension services which more often served rich farmers by reorienting them for service to the poor and the small farmers and strengthening rural institutions concerned with village government, farmers' organizations and rural employment.

regional centres

Among the activities relating to rural development, high priority was given to agricultural development. For instance, the need to improve production of coarse grains and pulses was taken up at the first committee meeting. It was observed that at present very little agricultural research was being done on coarse grains such as maize and sorghum, and on pulses like peas and beans under the national research systems in ESCAP member countries. A regional research centre, the experts agreed, would provide the kind of information and assistance needed to help national efforts at boosting production and use of these crops.

It is not the intention of ESCAP to develop elaborate facilities for training of scientists at the regional research centre. It would only assist the countries in getting their scientists trained at suitable institutions both within and outside the region. No site has yet been recommended for the centre, though the Bangkok meeting agreed that it should be located near a national research institute or an agricultural university in the host country.

ESCAP also received a report on the progress made at creating a regional centre

for agricultural machinery. Preparations for the centre at Los Banos, in Philippines, are nearly complete, and it is hoped that it will be operating later this year. The centre, which will have a small nucleus of experts headed by a project manager, will be used to supplement and co-ordinate national efforts to design, develop and manufacture simple farm machinery for small farmers.

The Commission also considered a progress report on a regional centre for transfer of technology, being set up at Bangalore. At its 1975 session, the Commission had decided to establish such a centre, and an inter-governmental meeting was held in Bangkok in February this year to prepare a report on it. The centre will function as a clearing-house for exchange of information on technology and the machinery which would enable the countries in the ESCAP region to promote their own development. It will also help identify and select technology appropriate to national needs and assist in the acquisition of such technology by providing engineering, design and consultancy services. The government of India has offered a 45-acre site for the centre.

The other activities planned by ESCAP include stimulating a widespread and effective use of bio-gas technology, with emphasis on supporting national extension programmes, including establishment of demonstration plants. A workshop on bio-gas originally planned for Suva, Fiji, in November 1976, will now be held in June—July 1977. Its scope will be broadened to include other components in

rural energy development appropriate to the Pacific island countries. The Suva workshop will follow two others already held, one in India and the other in the Philippines.

The long-term programme involving the training of experts to help in the planning and development of energy resources has been delayed until at least 1978 due to delay in funding. In the past two years, however, several expert group meetings under ESCAP auspices have been held to examine various processes under which the sun and wind could be used as energy sources. A roving seminar on rural energy development has been planned as a follow-up to these meetings. The Netherlands government has offered funds for the seminar which may begin later this year.

There are four regional training and research institutes assisting rural development which operate under ESCAP auspices. They are the Asian Development Institute (ADI) in Bangkok; the Asian Statistical Institute (ASI), in Tokyo; the Asian Centre for Development Administration (ACDA), in Kuala Lumpur; and the Asian Centre for Training and Research in Social Welfare and Development (ACTRSWD), in Manila. At this year's session, the Commission took up a proposal regarding the establishment of a single inter-governmental governing council for these institutes. The council will be responsible for giving general policy guidelines and making policy decisions for the institutes and help raise funds. It will also review and approve their priorities and work programmes.

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All subscribers are requested to notify the non-receipt of a particular issue within a month of the date of publication failing which it may not be possible to provide replacement copy.

Manager

Mr K. Santhanam has sounded the alarm against the possibility of central ministers or other Janata party-men abusing their official or political position for collecting election funds from the business community. The immediate reaction of Janata party leaders has been to deny that any of them has given cause for the disquiet experienced by Mr Santhanam. But the very fact that the party chairman, Mr Chandrashekhar, has found it necessary to issue a public appeal to would-be donors not to give money to unauthorised fund-collectors but to send their donations to the official account of the party shows that mischief was brewing. I, for one, admire Mr Santhanam's crusade against corruption in government or politics. Only, I would suggest that it is not politicians alone who are apt to be corrupted by business money. There are also many other walks of life which need to be kept clean since the earnings, legitimate or illegitimate, of business firms are often spent equally illegitimately on people other than politicians.

Meanwhile, I do not find much virtue in the prime minister's assurance that he was prepared to make enquiries and take action, if any is warranted, provided specific cases of improper fund-collecting by Janata ministers or other Janata leaders are brought to his notice. People who may have first-hand knowledge of these transactions do not normally have any interest in bringing them out into the open nor are they in a position to do so. Those who have reason to suspect that money has passed or is passing improperly generally do not have concrete proof in their possession. It is almost always a case of "my word against yours". Mr Santhanam must have heard reports, or

else he would not have spoken publicly as he did. There is much talk in New Delhi and elsewhere that, whereas the Congress fund-collectors were accepting cheques for 80 per cent of the money and insisting on cash only for the balance, the Janata party fund-collectors find that they have to insist on being paid fully in cash since the party has formally disapproved of big donations from businessmen. I suppose that much of this gossip is only that and no more. Still the Janata affirmations of virtue cannot be accepted at their face value. I am prepared to believe Mr Mohan Dharia when he says that he has not strayed and would never stray into the path trodden so gaily by his Congress predecessors in the ministry of Commerce. But I wonder whether there are not at least two or three ministers in the present central government who would not hesitate to make equally firm assertions of innocence.

The Janata party made

a tactical blunder when it chose Mr C.B. Gupta as its treasurer. Mr Gupta, after all, was a very great fund-collector for the undivided Congress and was subsequently still a considerable fund-collector for the organisation Congress. It was certainly not as if he was collecting all that money from four-anna members of the party. In the south, Kamaraj was also a successful fund-collector and it is hard to believe that all the training his disciples should have got from him is suddenly being allowed to go to waste. In the long history of the Congress party in its years of glory, the name of Mr S.K. Patil bore a weight which was directly proportionate to his prowess as a big fund-collector from business. In the short history of the Congress in its decadent days, the names

of Mr K.K. Shah, Mr Uma Shankar Dixit, L.N. Mishra, Mr B.R. Bhagat, Mr Dinesh Singh, Prof D.P. Chattopadhyaya and Mr P.C. Sethi were conspicuous to a greater or lesser degree as ministers who always went to the aid of their party. The list is of course not exhaustive either of the earlier years of the Congress or of its later days. There were many many Congressmen who did not preach, but did practise the maxim that charity began at home—and that the party's coffers came later, sometimes much later.

Having said all this, I

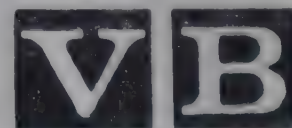
may perhaps allow that the Janata party is, to some extent, a victim of circumstances. The elections to state assemblies are being held at a time when Mrs Gandhi's war chest is flush with funds from past collections, while the Janata party has not had time to organise an open way of collecting voluntary donations of small amounts from large numbers of the public. Let us hope that, by the time elections for the other state assemblies are due, the prime minister would have been able to put into effect at least those proposals of electoral reform which could restrict both the need and the scope for big expenditure of money on election contests. Let us hope even more that contacts between Janata ministers and businessmen (including business executives) will be minimally personal or private. It is obvious that, especially those businessmen who had been too friendly with the emergency regime would be only too anxious to explore how far their money would help in their rehabilitating themselves with the new government more easily or sooner than it might otherwise be the case.

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"Nobody has any doubt but that Mr Jayaprakash Narayan was acting from the most high-minded motives in asking Mrs Nandini Satpathy to withdraw her candidature in Orissa in favour of Mrs Malati Chaudhari"—S.M. in *The Indian Express*.

A case of but,
butter, bust, I
suppose.



MOVING FINGER

Strategy for uplifting agriculture

Sectoral Terms of Trade and Economic Growth in India : M. L. Singh; Sterling Publishers Pvt Ltd, New Delhi; Pp 336; Price Rs 65.

Problems of Working Capital (With special reference to Selected Public Undertakings in India) : Ram Kumar Mishra; Somaiya Publications Pvt Ltd; Pp 304; Price Rs 50.

Development Planning—Lessons from Japanese Model : V.S. Mahajan; Minerva Associates (Publications) Pvt Ltd, Calcutta; Pp 122; Price Rs 30.

International Labour Standards—A handbook : N. Vaidyanathan; Minerva Associates (Publications) Pvt Ltd, Calcutta; Pp 281; Price Rs 40.

Co-operation and the Dynamics of Change : Edited by P.Y. Chinchankar and M.V. Namjoshi; Somaiya Publications Pvt Ltd, Pp 468; Price Rs 90.

Rural Labour in India—Problems and Policy Perspectives : Edited by S.M. Pandey; Shri Ram Centre for Industrial Relations and Human Resources, New Delhi; Pp 300; Price Rs 45.

Reviewed by **Academicus**

DR M. L. SINGH in his book *Sectoral Terms of Trade and Economic Growth in India* has made an attempt at analysing the changes in the terms of trade between the agricultural and industrial sectors of the Indian economy during the period of the five-year Plans and the consequences of those changes for the Indian economy. This book is based on the author's Ph.D. thesis submitted to the Ranchi university.

The analysis reveals that the terms of trade between the agricultural and industrial sectors of the Indian economy have since 1964-65 turned sharply in favour of the agricultural sector. This disparity in the behaviour of agricultural and industrial prices may be attributed to relatively lower price elasticity of demand for and supply of agricultural commodities vis-à-vis industrial products.

unbalanced growth

The changes in domestic terms of trade witnessed during the Plan period suggest that the growth rates of the agricultural and industrial sectors of the Indian economy have not been balanced. The rising agricultural terms of trade since 1964-65 are suggestive of the fact that the growth of the agricultural sector has disproportionately lagged behind the growth of the industrial sector and demand for agricultural commodities.

The author has shown how since 1956-57 there has been a substantial transfer of income from the non-agricultural

and the government sectors to the agricultural sector via the upward movement of agricultural terms of trade. The author is of the opinion that the income redistribution in the economy has gone so adverse to the essential condition for a high rate of economic growth that it has become essential that there should be a net flow of income from the agricultural sector to the non-agricultural sector to

BOOKS BRIEFLY

provide for the rapid development of the Indian economy.

The author has also shown how with rising agricultural terms of trade, income inequality in rural sector has tended to increase. Most of the benefits of rising agricultural prices seem to have been concentrated in the hands of a very small group of big farmers who alone possess agricultural marketable surplus. There is likely to arise in the rural sector a class of kulaks impervious to social obligations and less amenable to fiscal discipline because of limitations of agricultural taxation.

This study has revealed that rising agricultural terms of trade, particularly since 1964-65, have adversely affected the

rate of savings of the household sector by redistributing income from the non-agricultural sector with comparatively high propensity to save to the agricultural sector with low marginal propensity to save. It is seen that while saving of the urban households have been depressed considerably since 1956-57 (mainly because of the rising foodgrains prices), there has been no compensatory rise in savings of rural households. From this the author has inferred that the economy can achieve higher rate of saving only if the terms of trade do not turn unfavourable to non-agricultural sector. A developing country suffering from a deficiency of capital must see to it that income does not flow from a high-saving sector to a low-saving sector.

erosion of purchasing power

The demand for industrial products has also been adversely affected due to erosion of purchasing power in the economy caused by disproportionate rise in foodgrains prices. This, according to the author, implies a transfer of purchasing power from non-food items to food items. This has generated a paradoxical situation of inflation along with recession in the Indian economy. While there is excess demand in food sector where prices are continually rising, there is at the same time a glut in markets for manufactured goods. This is reflected in the increase in stocks as proportion of industrial production, increasing underutilisation of installed capacities in a number of industrial units and declining trends in industrial production. According to the author, while there has been some increase in demand for industrial products in the rural sector following a redistribution of income in their favour, this has not been adequate to offset fall in demand for industrial products in the urban sector.

With rising agricultural terms of trade, the rate of investment in the industrial sector has been adversely affected which is borne out by the declining consents for capital issues in the case of non-government companies since 1963. Also,

to fall in industrial profits, the capacity to invest in industries has been reduced.

On the other hand, it is seen that there has not been compensatory rise in capital formation and production in the agricultural sector of the Indian economy. Non-price factors like climate and absence of irrigational facilities seem to be influencing investment in the agricultural sector more than price increases of agricultural commodities. This suggests that mere price stimulus is not adequate to increase agricultural production. Agricultural production in India can be stimulated only if price stimulus is supplemented by the provision of basic facilities in the rural sector.

Thus the basic conclusion of this study is that the rising agricultural terms of trade have adversely affected the growth of the Indian economy.

cause of difficulties

The upward movements in the agricultural terms of trade indicate that the planners did not give due importance to agricultural development. Industrialisation was carried on without regard to balanced growth of the economy. Thus between 1960-61 to 1972-73 while industrial production increased by 96.8 per cent, agricultural production moved up only by 15.5 per cent. As a consequence the supply of agricultural commodities did not keep pace with rapidly increasing demand for them resulting in steep increases in agricultural prices and more favourable agricultural terms of trade vis-a-vis industrial goods. Thus it was the long-term strategy which neglected agriculture especially since the second five-year Plan that landed the country into difficulties.

The remedy is to ensure that agricultural production keeps pace with increasing demand. If the emphasis is shifted to balanced growth of the economy and agricultural production is given due importance, none of the factors such as hoarding propensities of farmers and speculative activities of private traders would stand in the way of supply of marketable surplus of agricultural produce to the urban sector at reasonable prices. The government would also be relieved of the burden of

distributing subsidised foodgrains at reasonable prices.

Agricultural production is largely a matter of techno-organisational factors. Price mechanism is not enough to stimulate agricultural production. Steps will have to be taken to provide irrigational facilities and assured supply of various agricultural inputs. This alone will induce farmers to invest more in agriculture. All this will require changes in government strategy and a sizeable investment by the government in the agricultural sector of the Indian economy.

The thesis put forward by the author is not novel, but the author's explanation in terms of trade and the factors responsible for making agricultural terms of trade more favourable vis-a-vis industrial goods puts forward the same thesis in a slightly different way. As often stated in these columns, the whole trouble started with the framing of the second five-year Plan with the neglect of agriculture of which complacent view was taken at the end of the first five-year Plan. While the planners soon realised their mistake, heavy commitment in the industrial sector (especially in heavy industries) during the second Plan left hardly any room for radical changes in the direction of planning so that only lip sympathy continued to be paid to agriculture. The Janata government has been emphasising this aspect and has been wanting to adopt the strategy advocated by the author in this book. It is to be seen if the new government can and will do it.

WORKING CAPITAL

It is commonly accepted these days that the underdeveloped economies can develop rapidly only through 'socialist industrialisation'. Whatever one's ideological preferences, the public sector has now emerged as a fact of economic life and will have to be accepted as such. From this it follows that if India has to make rapid economic progress, the public sector enterprises will have to earn sufficient surpluses not only to finance their own expansion programmes but also to contribute substantially to the growth of the economy as a whole. Ram Kumar Mishra in his book *Problems of Working Capital* (With special reference to Selected

Public Undertakings in India) has made an attempt to point out that a very important reason for losses or low level of profits of public enterprises in India was the inefficient utilisation of working capital.

The study covers six public enterprises, namely, Hindustan Steel Limited, Ranchi, National Coal Development Corporation Limited, Ranchi, the Fertiliser Corporation of India Limited, Delhi, Heavy Electricals (India) Limited, Bhopal, National Mineral Development Corporation Limited, Delhi, and Instrumentation Limited, Kota. The author selected these enterprises because they have a fairly long and complex working cycle and ability to fit in a development strategy and growth pattern under which a backward economy can develop quickly. Also the above undertakings represented, on an average, about 55 per cent of the total investment in the running concerns of the central government between 1963-64 and 1969-70. The scope of this study is limited to the years 1960-61 to 1967-68. It would be instructive to critically examine the author's findings.

finance and management

A major hurdle in the way of successful working of public sector enterprises is that of finance and financial management. While public sector enterprises are found fault with on grounds of over-investment in fixed capital, under-utilisation of capacity created, heavy expenditure on provision of townships and social amenities, surplus staff, labour trouble and so on, the study has revealed that "the imprudent management of working capital had been greatly responsible for the losses borne by them."

For purposes of analysis in this book working capital may be taken to mean "stocks in materials, stores, fuels, semi-finished goods and by-products, cash-in-hand and bank and the algebraic sum of sundry creditors as represented by (a) outstanding factor payments, e.g. rent, wages, interest and dividend; (b) purchase of goods and services, (c) short-term loans and advances and sundry debtors comprising amounts due to the factory on account of sale of goods and services and advances towards purchase and tax payments."

In the sphere of working capital, effi-

cient management of inventory posed the most challenging problem to public enterprises in India. On an average, the total inventory (i.e. stocks of raw materials, goods-in-process, finished goods, stores and spares and miscellaneous goods) turned out to be 82.5 per cent of the total working capital during the years under study. The author also found that not only was inventory excessive but it also showed the tendency to rise faster than production and sales. The inventory in public enterprises has been in excess also in terms of production requirements. While according to the Tariff Commission, inventory should not exceed 4 to 6 months' value of production, in the case of enterprises studied by the author inventory amounted to the value of 13.2 months' production costs in 1960-61, 10.3 months' production costs in 1963-64 and of 10 months' production costs in 1967-68. In the private sector enterprises it amounts to no more than 3.5 months' value of production. The author has calculated that reduction of inventory to appropriate levels and reduction of carrying costs alone would have meant in the case of the above public enterprises reduction of losses from Rs. 4876 lakhs to Rs. 1746 lakhs during 1967-68 alone.

inventory accumulation

According to the author, the causes of excessive inventory accumulation were both internal and external. Internally, uncongenial organisation and lack of proper inventory control were the main reasons responsible for excessive inventory accumulation. Externally, lack of small-scale industries for the manufacture of spares and other small items, transport bottlenecks, delays in issue of import licences and release of foreign exchange created an atmosphere which forced managers of public enterprises to play safe and to err on the side of surplus for fear of stock-out and hold-up of work.

The author has suggested that inventory management department should be established in each enterprise and it should be made to function directly under the chairman of the enterprise.

According to the author, 'receivables' comprising totals of sundry debtors and loans and advances in public enterprises accounted for the second major use of their working capital. It was found that

accounts receivables were not properly managed because public enterprises completely lacked commercial prudence in granting credit. Whereas there should have been no book debts overdue by six months, such debts constituted 20 to 30 per cent of the total debts for the public enterprises analysed by the author. There were also debts outstanding for over one year to three years.

The author has suggested that public enterprises will have to make their credit and collection policies comprehensive, allocate authority in regard to credit administration to some specific department, introduce an intelligent system in regard to credit investigation and formulate efficient collection policies and procedures.

important problem

Management of cash presented another important problem to public enterprises in the field of working capital administration. Normally the size of cash should come down with the growth of sales turnover; but in public enterprises under study, the case was just otherwise. The size of cash was found to be high both in terms of operational requirements and liquidity and solvency standards. Lack of proper planning and control of cash in public enterprises was mainly responsible for the bigger size of cash. The author has suggested that the public enterprises should centralise the administration of cash, regularise their cash flows, determine the optimum cash balances to be kept and should invest their excess cash balances in short-term securities. This would require, according to the author, complete modernising of the working of cash sections in public enterprises.

The best course for public enterprises to finance their permanent and variable working capital needs, according to the author, is to take recourse to profits. The government also at the very inception of the enterprise should indicate to the management what rate of return it must earn on its investment. The public sector enterprises will have to increase their all-round efficiency. This alone will enable public enterprises solve the ever-present problem of working capital.

Based on a Ph.D. thesis, this is a valu-

able study. And yet it has most of the defects which books based on thesis generally have. It may be said that the public enterprises selected by the author for his study are all enterprises with heavy investment and with generally long gestation period. They therefore cannot be taken as true and typical representatives of public enterprises in India. The sample is not broad-based to be adequately representative of public sector enterprises in India.

Some of the companies selected by the author have now been merged in larger organisations. This would mean that the managerial practices in these companies would therefore be greatly influenced by the new organisational pattern. The conclusions arrived at by Dr. Mishra might have qualitatively changed by the structural changes.

Then there is the time-lag involved. This book though published in 1975 covers the period 1960-61 to 1967-68. Many of the author's findings will have to be considerably modified, if not rejected. Thus professionalism has been making progress in public sector enterprises in India and this means there is at present greater clarity of objectives, proper assessment of resources and optimisation of efforts. For example, in the field of inventory control, the position in public enterprises has considerably improved since the author carried out his investigations. Thus from a position where public sector enterprises held inventory of 6.7 months' value of production in March 1968, the inventory had fallen to 4.4 months' value of production by March 1974.

Having said all this, it must be emphasised that the lessons brought out in Dr. Mishra's book are relevant even at present. This book deserves to be carefully read by managers of public enterprises in India as there is still vast scope for improving their operations.

DEVELOPMENT PLANNING

Since the emergence of Japan as a major Asian power in the first quarter of the 20th century, the Japanese model has been approached variously by economic historians and analysts. While some thought it to be an ideal model worthy of emulation, some others expressed serious doubts and still others sought to

effect a compromise accepting some of the lessons from the Japanese experience while rejecting others. V.S. Mahajan in his book *Development Planning—Lessons From Japanese Model* has suggested that some of the features of the Japanese model are worth incorporation in development planning of presently backward countries in Asia.

Naturally, before drawing lessons from the Japanese experience, the author has presented in a nutshell the Japanese economic history—the long military rule in Japan, the foundations that were laid during the last lap of the Shogun's rule, how the economic development was not imposed from outside but came from within the social system itself, the crucial role played by the state in creating a network of infrastructure facilities basic to economic development, growth of modern capitalism in Japan and the role played by it in accelerating the process of industrial growth, the emergence of a class of dynamic entrepreneurs, the dominant role played by Japanese agriculture in the process of economic development, and the role of Japanese commerce in meeting the challenge of exploiting highly competitive international markets.

What are the lessons which the author thinks countries like India can emulate from the Japanese experience?

role of the state

The author has emphasised the role of the state in the process of economic development. According to him, the study suggests that "the state should be careful while formulating public sector programmes. It should only undertake such projects which resources permit and which also carry a rapid growth-multiplying effect (like economic and social overhead capital) and are of such strategic nature that there could be no other alternative than public investment." The author has also suggested that if on the other hand the state gets excessively involved in every economic activity, it would be running into major catastrophe and even jeopardise the normal growth of the economy. Public investment on social and economic overheads would be far more productive than the same amount invested in a steel plant.

Also the Japanese experience suggests that if a country already has a private sector with experience in running consumer goods industries, the job of running those industries should better be left to the private sector.

Along with an efficient framework of overhead facilities the Japanese experience suggests that "it is equally important to develop a legal framework which guarantees rights to own and enjoy private property without interference." It is mainly the fear of nationalisation that frightens private investment in core industries and encourages entrepreneurs to follow dubious business practices. Adequate safeguards against nationalisation alone would encourage private sector to make long-term investments.

industrial discipline

Another important lesson is in regard to industrial discipline. The Japanese experience suggests that "significant gains in productivity can only occur after there is a systematic skilling of labourers and strict discipline is enforced in workplaces." The author has also suggested that a pragmatic price, wage and income policy be followed without allowing any ideologies to unduly dominate the thinking in these matters.

An important lesson from the Japanese experience is in the sphere of agriculture. The Japanese experience points to the strategic role which agriculture plays in the process of economic development. It is also seen that continually rising agricultural productivity is the result of a series of measures adopted by the government to modernise the agricultural sector.

Japanese trade model, according to the author, makes a fascinating reading. It shows how a pragmatic trade policy with special emphasis on export promotion is of great help for minimising dependence on foreign loans. Japanese experience also suggests that without developing its merchant shipping, a country is likely to suffer heavy losses in international commerce. India for example has already paid a heavy price for banking excessively on foreign liners. This suggests that development planning should accord appro-

priate weight to development of shipping.

The Japanese experience also suggests that an appropriate social and institutional framework is essential for promoting a peaceful transformation of traditional modes of production and distribution. In Japan social transformation was completed within a few years after the 'Restoration', whereas in India no such social transformation is even on the horizon despite economic planning spanning over a quarter of a century. The Indian social and political landscape is still dominated by its feudal institutions and attitudes. Many of the government's policies and actions are in fact strengthening caste feelings and twenty-five years after independence no single language is yet enjoying the status of the national language.

There was a time when lessons used to be liberally drawn by developing countries from the experiences of developed countries and attempt made to evolve policies based on those lessons. This has now practically gone out of fashion as it is being realised to a greater and greater extent that every country must evolve and execute policies best suited to its social and cultural environment.

learning from others

That does not mean that a developing country like India cannot learn anything from the experience of other countries. Our own experience over the past quarter century indicates that our half-hearted measures to modernise agriculture, relegating agricultural sector into background in preference to the industrial sector, too rapid expansion of the public sector and government's deep involvement in it instead of paying adequate attention to the creation and provision of infrastructure facilities, continual narrowing of the scope of the private sector, too much involvement of the state in all sorts of economic activities and dissipation of its energies which could have been better concentrated on more vital matters, and neglect of social reforms—all these were responsible for the extremely slow economic progress of the country and continued stagnation in many of the sectors of the

economy. Japanese experience only confirms these findings.

ROLE OF ILO

The International Labour Organisation (ILO) has been playing a quiet but very significant role in the field of international labour laws in the form of 'conventions' and 'recommendations' based on the consent of all the parties concerned. The ILO has been making sincere efforts with the consent of all the parties concerned, namely the government, employers and labour, to build an industrial system with the avowed purpose of universal peace and social justice.

It is therefore not a little surprising that the outstanding contribution of the ILO is not widely known. There is need to make the standards set by the ILO better known, especially in developing countries like India which are on their way to rapid industrialisation. Without such standards, the countries of the west which were the first to industrialise found themselves in a mess out of which they are still struggling to wriggle themselves. Developing countries are in a sense fortunate in that they have model rules and conventions to follow that will help them enjoy fruits of industrialisation without many of its evils.

Against this background Dr. Vaidyanathan's efforts in *International Labour Standards—A Handbook* presents the 'conventions' and 'recommendations' adopted by the ILO in a simplified and easily readable form are extremely welcome. The author has dealt with the standards under subject-grouping indicating their current status and validity and reflecting the up-to-date thinking on these instruments. The utility of the book has been considerably increased by inclusion in it of a chapter of ILO in general and the standard-setting procedure in particular. This book can be said to provide a simplified version of the complete guide to international labour standards.

The ILO was established in 1919 and has been busy working in the field related to industrial labour for more than half a century. It has been working for the establishment of international peace and social justice for which it was awarded Nobel Peace Prize in 1969. The ILO makes

an attempt to accomplish its broad objectives by setting international standards for national application, backed by technical cooperation and education.

The ILO standards take the form of 'conventions' and 'recommendations'. There is a fundamental difference between the two. Once a convention is ratified by a member-state, the convention becomes a binding international obligation. On the other hand, a recommendation is essentially a guide to national action and does not create an international obligation. It should be noted that conventions have no automatic binding force but only come into force in any member-state through an act of ratification by the state. It should however be noted that in the case of both conventions and recommendations member-states are obliged to bring the texts before the appropriate bodies for enactment of legislation or other action within a period of 12 to 18 months of its adoption by the ILO.

labour code

As on January 1, 1976, 143 conventions and 151 recommendations have been adopted by the ILO. These conventions and recommendations together constituting the international labour code cover an enormous range of important subjects in the field of labour and social welfare.

In the field of 'basic human rights' the international labour code (i.e. conventions and recommendations) have laid down standards or conditions regarding such matters as right of association, freedom of association, right to organise and collective bargaining, workers' representation, rural workers' organisation, forced labour, discrimination and equal remuneration.

In 'labour administration', the code has covered such fields as labour inspection and labour inspectorates. In regard to 'industrial relations', some of the important matters covered are employment policy and human resource development. As regards 'general conditions of employment' the code covers such matters as minimum wage-fixation, protection of wages, night work, hours of work, weekly rest, holidays with pay and paid educational leave. In the

field of 'employment of children and young persons', the code covers subjects such as minimum age, medical examination of children, night work for children and so on. In regard to 'employment of women', the code covers topics such as maternity protection, night work for women, underground work for women and so on. In the field of 'industrial safety, health and welfare', conventions and recommendations have laid down standards in regard to safety provisions, protection against accidents, dock work, hygiene and guarding machinery. In the field of 'social security' subjects covered by the code are equality of treatment, sickness insurance, invalidity insurance and survivors' insurance. There are also conventions and recommendations regarding migration of seafarers, indigeneous and tribal populations and plantation labour.

Would not the ILO and its role weaken trade unionism and reduce the bargaining power of workers? It is all right for developed countries to follow the standards which are being set by the ILO. But would not the competitive power of industries in developing countries be adversely affected in international markets, if they follow these standards? Would not too much attention to problems of social justice have adverse effects on saving, investment and economic development of backward countries? Well, it was not the intention of the author of this book to discuss problems such as these and therefore no answers are found in this book to these problems. His aim was to give a straightforward and simple account of the work which is being done by the ILO and in that he has admirably succeeded. Labour leaders, social reformers and policy-makers will find the book extremely informative and useful.

COOPERATION

New horizons are opening up in the field of cooperation especially in developing countries. This is because it is felt that cooperation can combine growth with efficiency and political stability with social and economic justice and can help build a mixed economy. But building up of an economy on cooperatives principles raises many issues of deep interest to economists and policy-makers. For example, what

linguishes cooperation from other forms of business organisation? How could the principle of cooperation be interpreted and moulded in the light of historical experience? Can the cooperative movement contribute significantly to social and economic changes? What are the strategies that should be adopted by the cooperative movement to realise its objectives? Why has cooperation proved more successful in some sectors of the economy than in others? *Co-operation and the Dynamics of Change*, containing articles by scholars closely associated with the field of cooperation seeks to answer some of the above difficult and complex questions on the basis of a synthesis of international and Indian experience in the field of cooperation.

diversion of views

Dr. M. V. Namjoshi in his article on 'Cooperation and Welfare' has pointed out that there is great diversion in views relating to the efficiency of cooperatives as an instrument of social and economic changes among social scientists. Walras looked upon cooperatives as useful 'associations' to promote capital accumulation and hence social and economic welfare. But Karl Marx as also Rabbeno and Pantaleoni did not put much faith in cooperation as an instrument of social and economic change. Pantaleoni feared that cooperatives "may even become monopolies when fully developed." The author has concluded that cooperatives have shown their capability both as 'enterprises' and 'associations'; that the principle of cooperation cannot be uncritically extended to all spheres of economic activities; and that a balanced view of cooperation must be taken.

Writing on 'The Development of Cooperatives in the USA' Welton Grundy has shown how cooperatives in the USA are chronically under-capitalised, how cooperative shares never increase in value, how there is general apathy and disloyalty of patrons, and how cooperatives have generally failed to get their message across. There is also a feeling in the USA that cooperatives are "giant monsters crushing the life out of the small independent businessmen."

Writing on cooperative movement in

Japan, Yukinori Miyahara has pointed out the characteristic features of Japanese cooperatives. In the Japanese cooperative movement, the so-called general cooperatives are fundamental. They handle heterogeneous business especially because farm management itself is not yet specialised, not being separated from house-holding. There is also in Japan "the three-level system of local cooperatives". The government has been very earnest in promoting the organisation of agricultural cooperatives. In this sphere development has occurred mainly in marketing, purchasing and finance.

V. Y. Kolhatkar has drawn certain important lessons from the experience of cooperatives in Poland and Yugoslavia. The author has shown how general agricultural cooperatives in Poland and Yugoslavia have proved useful institutions in modernising agriculture. According to the author, it is possible that such institutions with appropriate modifications may yield some good results in developing countries like India. According to him, it would be interesting to see if cooperatives of landless agricultural workers and share-croppers could be formed for achieving not some political objectives (as at present) but economic objectives like modernisation of agriculture. Such cooperatives should be actively helped by the state with financial and technical resources. The experiment is worth trying.

Israeli experiment

Writing on the Israeli experiment, Walter Preuss has shown how in Israel the cooperative form of organisation was largely a substitute for capital investment. The members of the cooperatives accumulated means of production by their own labour. They turned what is called profits in the capitalist economy into investment capital and built enormous enterprises through their own efforts, diligence and perseverance. The author has suggested that the Israeli experience "can be of great assistance to cooperative movement in new countries which also suffer from lack of capital and at the same time strive to avoid dependence on exploiting capital." The author feels that "The people in the countries of Asia and Africa need development, and the cooperative movement in

agriculture, industry and services can perform the same pioneering tasks which cooperation fulfilled in Israel." If the necessary cadres can be formed, "the people of Africa and Asia can leap though not at one go, from a tribal and feudal society to a progressive society, with friendly assistance from abroad and successful examples before them."

Vinayak Rajguru has traced the development of cooperatives in east and west Africa and has shown how cooperatives have turned their attention to production and services, and how cooperatives are being organised for livestock, dairy, fishing industries, taxi-cabs and trucking firms and so on. In some countries of that continent cooperatives have been taking over wholesale and retail trade which was once in the hands of foreigners. These cooperatives are likely to develop into giants.

position challenged

Writing on the Indian experience, a number of authors have shown how since the inception of economic planning, cooperatives have enjoyed recognition as instruments of planning and also as agents for protecting the weaker sections of the community. This position has been recently challenged by the development of what is called the multi-agency approach to rural credit, rural trade and rural industrialisation. However the case for reservation of some sectors of the economy for cooperatives is again being favoured by expert opinion. A point of general significance that emerges from the Indian experience is the continuing importance of linking economic planning and the cooperative movement. The Indian experience shows that proper laws and bye-laws and proper financial arrangements through public sources are essential. It also shows that cooperative autonomy is important and it can be reconciled with economic planning. The Indian experience provides a new line which other developing countries may be inclined to experiment with.

All the articles in the book are scholarly, based as they are on academic approach and practical experience. What is most important, the articles put cooperative movement in a proper perspective showing

both their strong points and limitations. If the cooperative movement is to become an instrument of social and economic change in India, it will have to become more dynamic showing capabilities of adapting itself to rapidly changing conditions and meeting new and complex challenges of the rapidly changing world.

RURAL LABOUR

Shri Ram Centre for Industrial Relations and Human Resources, New Delhi, organised a seminar on 'Rural Labour : Problems and Policy Perspectives' at Ludhiana in January 1976, in collaboration with the Punjab Agricultural University, Ludhiana. *Rural Labour In India—Problems and Policy Perspectives*, edited by S. M. Pandey, contains some of the papers presented and proceedings of the seminar.

It is well-known that even after a quarter century of planned economic development, our achievements both in the field of agriculture and industry are overshadowed by continued existence and possibly worsening of the condition of extreme poverty among the masses in general and rural masses in particular. Among the latter are included landless labourers, marginal farmers and rural artisans, majority of whom belong to scheduled castes and tribes who bear the additional burden of social stigma. No doubt government did take certain steps affecting the rural masses—large public investments in irrigational projects, introduction of technological innovations, abolition of feudal tenancies, substantial reduction in the practice of absentee landlordism etc. However the rural poor continue to be deprived of the equitable share of the benefits of these developments.

This seems to have happened because the strategy for rural development assumed that with the increase in agricultural production and higher level of income and investment, employment opportunities would automatically increase in the rural sector. These assumptions have been proved wrong. On the other hand the problem of poverty and rural unemployment got aggravated due to the increase in population particularly in rural areas,

which has resulted in rapid sub-division and fragmentation of already small and fragmented holdings, thus multiplying uneconomic holdings, poverty, unemployment and landlessness. This has resulted in forced migration of large rural population to cities and towns. Rather than solving the problem of rural poverty and unemployment in any appreciable manner, the strategy has only contributed to the problem of urban poverty and social tensions.

From this it follows that the need for bringing about rapid and substantial changes in the agricultural sector can hardly be overemphasised. The government has also recognised this need as is clear from some of the programmes introduced, namely rural work programme, crash scheme for rural development, rural industries programme, the backward area development programme, the drought-prone areas development programme, programme for the development of small and marginal farmers, agricultural labourers and tribal areas, etc. But very little is known about the actual impact of these programmes.

urgent need

There is urgent need therefore to know about the results produced by these programmes. It was felt at the seminar that "exchange of such knowledge is important not only for developing a better understanding of the problems of the rural poor but also for having an impartial and objective account of the failures as well as achievements of our past efforts and improve upon the same in the light of the experience."

The seminar brought out some very interesting facts. It was thus found from the analysis of marginal labour employment that technological variables such as seeds and insecticides and irrigation were relatively more important in optimising labour use. On this basis a case is made out by Harpal Singh and R. P. Sinha for reducing expenses on machinery and equipment and for increasing expenditure on seeds, insecticides and irrigation.

R. K. Sharma writing on technology and employment has concluded that so

far tractorisation has not led to any labour displacement. But this appears to be a passing phase and as farmers gradually move from partial mechanisation to complete mechanisation, the labour-saving effects of tractorisation will come to the surface. The author therefore has raised the question : if complete mechanization is socially undesirable, what are the policy instruments to prevent it?

S. S. Acharya has found that adoption of HYV coupled with increase in cropping intensity has increased employment, that employment of casual hired labour increases both by pump-sets and tractors but employment of permanent hired labour decreases with them. He has therefore set down the policy guidelines that (i) extension of HYV and multiple cropping will provide employment opportunities in rural areas; (ii) mechanisation, irrigation and use of tractors are not labour-displacing; and (iii) new agricultural technology can be used as a policy instrument to increase incomes and employment of rural labourers.

A. J. Singh and D. S. Sidhu have suggested the possibilities of increasing employment in rural areas through diversification of agriculture through increasing supply of various agricultural inputs and by the establishment of processing industries which offer vast potential for development.

exotic model

R. N. Azad and G. C. Mathur have emphasised that importing of any exotic model will not be much helpful. What is necessary is integrated rural development adopting an area approach—intensification of agriculture including animal husbandry, poultry, sericulture, fishery, forestry, development of rural crafts and small industries, effective and meaningful land reforms — measures suited to India's culture and socio-economic conditions.

S. M. Pandey has suggested increasing agricultural production and productivity, organisation of landless agricultural labourers into unions and use of productive loans for setting up subsidiary occupa-

on as means to solve the problems of the rural poor.

P. C. Aggarwal and M. S. Ashraf have maintained that the scheduled castes would be better off if the special economic aid is abolished and instead they are assured a proportionate share out of general schemes. If however special welfare programmes cannot be abolished, they should be made goal-oriented and their budget allocation increased.

R. S. Mathur has pleaded that functional education in modes and problems of workers' organisation should be provided to agricultural labourers. Also the functional education must make the landless agricultural labourers aware of the protection which various laws afford them.

self help

S. M. Pandey has advocated that organisations of agricultural labourers should be more intensely involved in helping themselves to take up self-employment occupations during slack seasons, working for the education of adults and children, educating members regarding the necessity of small family size, executing small contracts for rural works, etc. He wants that the government should play a key role in the establishment of stable and independent organisations of rural workers.

S. P. Pant has made a powerful plea that the tribal poor will greatly benefit, if agricultural research on tribal farming is undertaken to conserve eroding soils, to develop suitable varieties of low-value but high-energy staple food crops, to rejuvenate forests and exploit grass lands and establish small forest industries. He has made a strong plea for a new economic system integrated with bio-social ecosystem of the tribal areas.

The articles in this volume indicate the immense complexity of the problem of rural poverty and ineffectiveness of stereotyped and standardised solutions to the problem. Varigated measures will have to be taken based on the study of each group of people and particular area. The immense material contained in the learned

articles in this volume should be of great assistance of policy-makers, indicating as they do the reasons for the failure of the measures so far adopted to solve the

problem of rural poverty and the approach and various measures which should be adopted to tackle the problem successfully.

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Capital Budgeting in India : L.S. Porwal; Sultan Chand & Sons, 4792/23 Daryaganj, Delhi; Pp. 95; Price Rs. 30.00.

Management Accounting : N.L. Hingorani, A.R. Ramanathan and T.S. Grewal; Sultan Chand & Sons, 4792/23, Daraganj, Delhi-110 002; Pp. 555; Price Paper-back : Rs 25.00 and Hard Back : Rs 35.00.

Prospects for Industrial Ventures : Project Profiles Non/Engineering; Indian Investment Centre, Parliament Street, New Delhi-110 001; Pp. 170; Price Rs 15.00.

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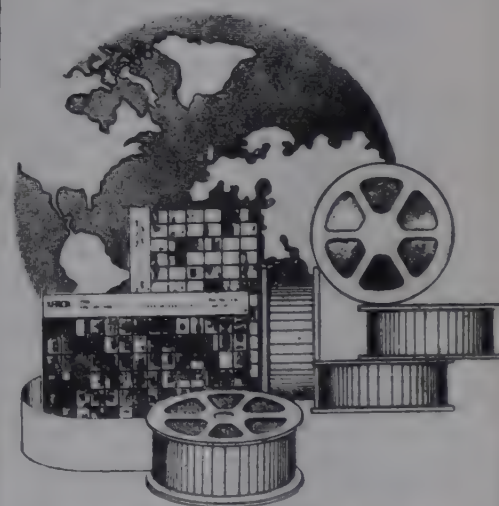
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Technology and Economic Interdependence : Harry G. Johnson; Published by The Macmillan Press Ltd, London; Pp. 187; Price. £3.95 net.

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TRADE WINDS

IDA Credit for ARDC

AN AGRICULTURAL project is being supported by a credit of US dollars 200 million from the International Development Association (IDA), an affiliate of the World Bank. The credit will assist the Agricultural Refinance and Development Corporation's (ARDC) on-farm investment programme over a two-year period involving a total of US \$583 million. The proceeds of the IDA credit will be channelled through ARDC to cooperative and commercial banks for lending to farmers. At full development in 1984, the project is expected to result in annual incremental production valued at US \$367 million a year.

Agricultural Loans

The IDA credit will assist in providing loans to farmers for on-farm development purposes, mainly minor irrigation, but also for development of tree crops, dairy and poultry, sericulture, fisheries and several other agricultural activities. About US \$100 million of the credit will be reserved for small farmers who will qualify for preferential borrowing terms provided their income is adequate to repay the loan over a prescribed period. The IDA credit to India is for 50 years, including 10 years' grace. It is interest free except for service charge of 3/4 of one per cent to meet IDA's administrative costs. The government will lend the proceeds of the cre-

dit to ARDC for nine and 15 years at not less than 6.5 and 7.5 per cent interest per annum, respectively, depending on the type of investments to be refinanced by ARDC.

Assistance from Sweden

An agreement on development cooperation providing Swedish aid of Rs 48 crore (Skr. 240 million) to India for the current fiscal year was signed recently by Mr Sten-Olof Doos, deputy director general, Swedish International Development Agency and Mr W.S. Tambe, joint secretary, Economic Affairs, ministry of Finance. The development assistance is on a grant basis. Out of the assistance of Rs 48 crore (Skr. 240 million), an amount of Rs 21 crore (Skr. 105 million) will be available for general imports. This portion of the aid is untied.

A provision of Rs 16 crore (Skr. 80 million) has been made to finance imports of goods and services from Sweden. As in the past, this amount is expected to be utilised for import of bulk commodities and capital goods, and services from Sweden. The agreement also provides for technical assistance to the extent of Rs 11 crore (Skr. 55 million). This amount will be utilised for implementation of several projects in the field of family welfare, health, fishing, forestry, export promotion etc. Besides, the agreement provides for remission in full of payments on princi-

pal, interest and service charges on earlier credits from Sweden falling due between June 1, 1977 and June 30, 1978, which is of the order of Rs 2.4 crore (Skr. 12 million).

Chairmen of Nationalised Banks

The union Finance ministry announced recently the appointment of chairmen and managing directors of five nationalised banks. These are: Mr P.C.D. Nambiar (State Bank of India); Mr Amitabha Ghosh (Allahabad Bank); Mr M.V. Subba Rao (Indian Bank); Mr B. L. Pranjape (Union Bank of India); and Mr V. K. Vora (Dena Bank). Each appointment will be valid for three years with effect from the date they will take charge of the new office.

Mr Nambiar, who had been the managing director of SBI, has been looking after the management of the bank from May 2 after Mr T. R. Varadachary, chairman, had relinquished his office on April 30. Mr M. V. Subba Rao is presently chairman-cum-managing director of Export Credit and Guarantee Corporation. Mr Ghosh, who is the general manager of Allahabad Bank, had taken charge from Mr S.D. Varma, chairman and managing director, when he retired on March 30. Mr Ghosh's appointment is effective from April 1.

Aluminium Output

There is likely to be a shortfall of the order of about 35,000 tonnes in the availability of aluminium during 1977-78. One of the major factors responsible for shortage of aluminium is the poor power supply position to a this highly power-intensive industry. According to a recent review undertaken by the ministry of Steel and Mines, it is held that if

the present sanctioned power load is utilised fully throughout the year, the total production of the metal during 1977-78 would be of the order of 2,33,500 tonnes. However, even at this rate of production, a shortfall of the order of 22,000 tonnes in the total availability of the metal is envisaged.

In the changed context of a gradual fall in the supply of power to the various aluminium smelters in the country, the gap in the supply and demand of the metal is widening. The total sanctioned power load to the aluminium industry during the year is of the order of 533MW. As against this, it is estimated that the total availability would be somewhere 454MW from the available generating capacity of 825 MW, thus representing merely 55 per cent utilisation of the power capacity.

New Gadget by Weston

Weston Electronics Limited have added a new dimension to entertainment electronics in India in the form of TV Games. This is ideally suited to Indian conditions since TV transmission is restricted to a few hours in the evening and the TV set idles for a good part of the day. The TV Games is a simple gadget that will capture the excitement and pleasure of a play field inside the comfort of home. The device offers a varied choice of four Games: hockey/football, tennis, squash and single squash. It is designed to cater for the interest of all ages. Two persons are programmed to play at a time yet if a partner is not available, the game can be operated as a single squasly.

The Game set is plugged on to the TV set antenna socket. When connected, a game

tern appears on the screen. The game is externally controlled. The angle of the ball and size of bat can be adjusted to give a realistic touch. Every time the ball strikes the bat a game sound is emitted. Automatic scoring facility is also provided. Weston Electronics Limited is geared to produce 20,000 TV Games sets annually. The production is likely to go upto 30,000 during the second year and to 40,000 during the third year. The company has already a good market share in the production of television, tape recorder, two-in-one and calculator. It has a well established R & D department which is continuously introducing product improvements in the existing range of products as well as innovating new ones.

Indo-Afghan Trade

A delegation headed by Mr G.H. Bayat, president, Foreign Trade of the Afghan ministry of Commerce, arrived recently in New Delhi for trade talks. The Indian team was led by Mr A.N. Verma, joint secretary in the Commerce ministry. The present arrangements between India and Afghanistan are governed by the trade agreement and protocol signed on September 3, 1975. This is valid for a period of three years. Among other things, the agreement provides for a growth rate of eight per cent in trade. Under the agreement, trade in specified commodities and goods is to be operated on counter-balancing basis. The remaining trade will be in convertible currency.

India's trade with Afghanistan is based on a modified system of barter. Successive trade arrangements between the two countries have provided for a system of counter-balancing trade where imports

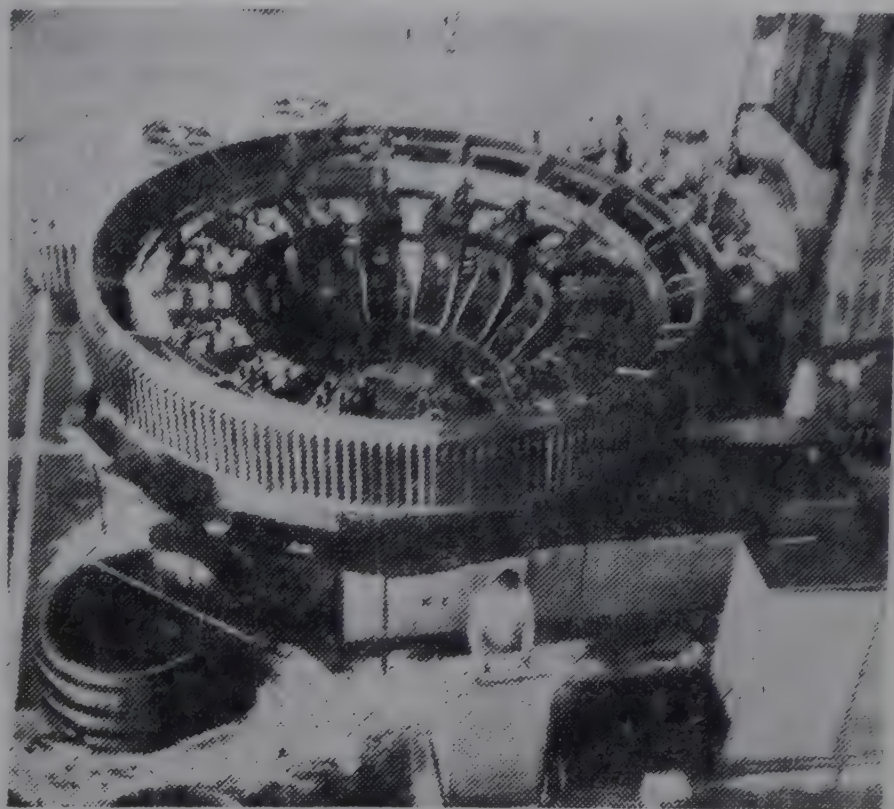
of fresh fruits, dry fruits and asafoetida from Afghanistan have to be counter-balanced by exports to that country. Trade between the two countries has been growing steadily during the last few years. In 1973-74 India's exports stood at Rs 15 crores imports from Afghanistan also amounted to Rs 15 crores. In 1974-75 exports from India valued Rs 14.5 crore whereas imports from Afghanistan were of the order of Rs 17.9 crores. In 1975-76 (upto December 1975) India's exports amounted to Rs 23.1 crores and imports from Afghanistan valued Rs 6.8 crores.

Edible Oil Imports

The import policy for edible oils and oilseeds, has been tightened further. It has now been decided that licences will be granted on the basis of firm commitment entered into by the concerned party with overseas suppliers. The applications, therefore, have to be accompanied by photostat copies of firm offer and acceptance, through cables or letters showing the quantity, price and delivery or shipping schedule. The value of licence, the items to be imported and the validity period of the licence will be in terms of the firm import contracts entered into by the party with foreign suppliers.

The licensee, under the new procedure, will be required to submit a report to the licensing authority concerned, as soon as the imports have been effected. Inability to effect imports on the basis of licences issued under the new conditions for reasons beyond the control of the licensee should be reported to the licensing authority concerned within 10 days from the date on which the licensee failed to effect

the object of activity of uzinexportimport



uzinexportimport

Main products

EXPORT ACTIVITY

1. Plants and complex installations for the production of equipment and installations in the field of mechanical engineering, electrical engineering and electronics, licences and manufacturing technologies, the relevant CKD.
2. Ships, boats, naval equipment, ship repair.
3. Thermoelectric power plants, thermal power stations, district heating plants, hydroelectric power plants, hydromechanical equipment, diesel electric stations, the relevant individual equipment and outfits, spare parts.
4. Metallurgical and iron and steel installations, the related individual equipment and outfits, relevant spare parts.
5. Food industry installations : refrigerating ware houses, ice factories, milling installations, siloes meat and fruit preparing lines, bread manufacturing factories, the relevant spare parts.
6. Cement lines, various individual equipment and outfits, spare parts.
7. Studies, designs, know-how, engineering production lines technologies for the above mentioned erection, technical assistance, training and other services related to the above lines, factories and plants.

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imports, as per the original contract. The parties who have already submitted applications for the grant of import licences are also required to produce evidence of firm import contracts with overseas suppliers, according to new stipulations, within three months, failing which the applications would be rejected.

In the case of licences already granted, the concerned parties will have to make firm commitments within three months, failing which the licences will automatically stand invalidated, as announced by the government a few days ago. Thus, imports of edible oils and oilseeds will continue to be freely licensed. But licences will be issued to the party only after it has made firm arrangements for imports.

Planning Commission Appointments

Dr D. T. Lakdawala, presently director, department of Economics, University of Bombay has been appointed deputy chairman of the Planning Commission. He succeeds Mr P. N. Haksar, who tendered his resignation recently. Mr V. G. Rajadhyaksha, at present chief consultant in the Planning Commission, and Prof. Raj Krishna of the Delhi School of Economics have been appointed members of the Commission.

The Home minister and the Defence minister will also be members of the Planning Commission now. The Finance minister has always been an ex-officio member of the Commission.

With the appointment of Mr Rajadhyaksha and Prof. Raj Krishna the reconstitution of the Planning Commission is complete. The

other two members of the Commission are Mr B. Sivaraman and Prof. Sukumoy Chakravarty. It is understood that Prof. Chakravarty has requested the government that he may be relieved by July.

London Branch of Punjab & Sind Bank

The first overseas branch of the Punjab & Sind Bank Ltd. was inaugurated at Southall, London on May 15, 1977. It is significant that the PSB is the first non-nationalised Indian bank which has been given permission by the Reserve Bank of India to open its branch in a foreign country. Over 500 accounts were opened on the first day at the new branch. As Mr Inderjit Singh, chairman of the bank, could not go to London, the branch was inaugurated by Mr Autar Singh Bagga, general manager of the bank.

Welcoming the guests, Mr Dalbir Singh, assistant general manager, assured the Indian community that in keeping with its best traditions in the past, the Punjab & Sind Bank Ltd. would come up to the expectations of the people by providing services of the highest standards. Mr H.S. Dugal was introduced to the audience as the chief manager of the new branch by the general manager.

ICI Expansion Plan

Imperial Chemical Industries (ICI), which earlier this year announced plans for a new £ 90 million chemical plant to be built at Wilton (north-east England), is to spend £ 140 million on another chemical complex there. The new investment would be in plant to extend its chlor-alkali and vinyl chloride monomer capacity. The earlier project, announced

in March, was for a 250,000-tonnes-a-year unit to make pure terephthalic acid, a raw material used in producing polyester fibre. Wilton is the headquarters of ICI's petrochemicals division. The proposed new investment is to be part of a two-pronged attack on the European chemical market. In addition to the Wilton project, ICI is considering the possibility of developing a chemical complex at Wilhelmshaven, in West Germany.

Provident Fund Interest Raised

The workers covered under the Employees Provident Fund Scheme will get interest at the rate of eight per cent per annum on their accumulations for the year 1977-78. The rate of interest allowed last year was 7.5 per cent per annum. The question of raising the limit for income tax exemption on this increased rate interest is under the consideration of the government.

Fly-ash Pottery

The Central Glass & Ceramic Research Institute, Calcutta, has developed a process which can replace the costly metal or china clay pottery by low cost and durable potteryware made from fly-ash of thermal power plants and redmud of the aluminium industry. These industrial by-products are being wasted at present. The process developed by the institute can also use these industrial wastes to produce good quality sanitaryware, low tension insulators, wall tiles, floor tiles, glazed tiles and even strong red bricks for building purposes. The process is simple and can be easily practised at the village level.

Institute scientists claim that adoption of this techno-

logy would improve the standard of living in rural areas and increase employment potentials right in the villages. The Institute has developed another process to produce slag-ceramics, that is ceramic from blast furnace slag. Good quality tiles have been produced through this process which are being used in the coke oven of the Bokaro steel plant. These tiles would eliminate the import of costly lining materials. The slag ceramics are extremely abrasion and corrosion resistant.

A process has also been developed for the production of acid and abrasion-resistant glass ceramics from the waste slag from phosphorus plant. This slag can also be utilised for making amber-coloured container glasses. Silicon nitride, an important refractory material having high strength and unique thermal shock resistance, has been developed at the Institute. Scientists say that it has extremely high corrosion-resistance towards molten metals such as aluminium, zinc and lead. It could also resist corrosion by molten copper. Silicon nitride could therefore be used with great advantage in these industries.

Development Aid from Britain

Britain increased slightly last year the proportion of its Gross National Product (GNP) devoted to aid to developing countries. Mrs Judith Hart, minister for Overseas Development, stated in reply to a parliamentary question recently that the net flows of official development assistance from Britain in 1976 amounted to £ 462 million or 0.38 per cent of GNP. The corresponding figure for 1977 was £ 389 million, or 0.37 per cent of GNP. These figures, Mr

It added, were net of capital repayments to Britain in respect of past aid loans and included other official flows which were not strictly developmental.

Seminar on Drug Industry

The Indian Drug Manufacturers' Association is organising a seminar on 'Development of Indian Drug Industry—Problems and Prospects', in Calcutta on June 25, 1977. The subjects to be covered at the seminar include (i) raw materials, (ii) import policy and its impact, (iii) bulk drugs and intermediates—prospects in the Eastern Region, (iv) I.P. supplement, and (v) good manufacturing practices.

Achievements in Metallurgy

Three important processes in the field of metallurgy are available with the National Research Development Corporation for commercial use. These are carbon-free ferro alloys, misch metal and PM² alloy. Carbon-free ferro alloys are essential for production of special steels and other engineering applications. A process for the production of carbon free ferro alloys by alumino-thermic reaction has been developed by the National Metallurgical Laboratory, Jamshedpur. The process is simple and inexpensive.

Misch metal is a mixture of metal containing cerium and other rare earths. Besides its use in the alloy industry for making special type of cast iron, it is also used in the production of cigar lighter, hand grenades and bullets. This metal is produced using the by-product of the separation of thorium from monazite sand. The process has been developed by the Central Electro-Chemical Research Institute, Karaikudi. PM² alloy is a new alloy that can replace

copper or electric grade aluminium now being used for power transmission. Its characteristics include high electrical conductivity, copper like ductility and improved corrosion resistance over the electric grade aluminium. Wire made out of this alloy could also be used in motor and transformer windings, automobile cables, welding cables and domestic wiring. Its know-how has been developed by the NML Jamshedpur.

Oyster Culture at Tuticorin

A pilot project on edible oyster culture at the Tuticorin Research Centre of Central Marine Forestry Research Institute, Ernakulam is being considered. The project envisages to have two harvests a year with a total production of 2.6 million oysters. The project aims at arranging assured supply of oysters throughout the year.

The meat of oyster is extremely delicious and nutritious. Oyster meat is a cheap source of protein rich food. Its co-product is shell used for making calcium carbonate. The shell is also suitable for the attachment and growth of young oysters. An important chemical component obtained from the shell has a variety of uses. It can also be cleaned and powdered for use as poultry feed. Oyster is collected from creeks, lagoons and estuaries.

Names in the News

Mr Ashok Dayal has taken over as deputy group inspector at the head office of Grindlays Bank Limited in London. This is the first time that a senior appointment in the inspection group has been taken up by an Indian national. Mr Dayal joined Grindlays in 1957 and was until recently its general manager in western India.

GOVERNMENT OF INDIA

5½ PER CENT LOAN 1985 (SECOND ISSUE) TO BE ISSUED AT RS. 99.50 PER CENT AND REPAYABLE AT PAR ON 16TH OF JULY 1985.

6 PER CENT LOAN 1994 (SECOND ISSUE) TO BE ISSUED AT RS. 99.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 1994.

6½ PER CENT LOAN 2004 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 20TH OF JUNE 2004.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 400 crores (approximately). Subscriptions may be in the form of cash/cheque. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible.

3. In the case of 5½% loan 1985 (Second Issue) the interest for the period 20th June to 15th July 1977 (inclusive) will be paid on 16th July 1977 and thereafter interest will be paid half yearly on 16th January and 16th July. In the case of 6% Loan 1994 (Second Issue) interest for the period 20th to 30th June 1977 (inclusive) will be paid on 1st July 1977 and thereafter interest will be paid half yearly on 1st January and 1st July. In the case of 6½% loan 2004, the interest will be paid half yearly on 20th June and 20th December.

4. Interest on all the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

The value of the investments in the loans now issued together with the value of other previous investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

5. Subscription lists for the new loans will open on the 20th of June 1977 and close on 21st of June 1977 or earlier without notice. Applications for the loans will be received at:

- (a) offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and
- (b) branches of the State Bank of India at all places in India except at (a) above.

6. Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under :—

- (i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the public Debt Office.
- (ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.
- (iii) The half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the Commission charges; in respect of Stock Certificates where the net amount of interest to be remitted is less than Rs. 20/- no money order commission will be charged.
- (iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.
- (v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

7. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 5.

COMPANY AFFAIRS

Grindlays Bank Ltd

GRINDLAYS BANK Ltd has reported impressive gains on all fronts during the year ended December 31, 1976. Deposits scaled to a new peak of 429.34 Rs crores from Rs 407.87 crores in 1975. Fixed deposits accounted for as much as Rs 200.79 crores as against Rs 192.04 crores while savings bank deposits amounted to Rs 118.57 crores as compared to Rs 113.30 crores in 1975. The deposits in current and contingency accounts were higher at Rs 109.98 crores, an increase of Rs 7.45 crores over the previous year. Advances, including bills discounted and purchased, recorded a marked expansion to Rs 296.12 crores from Rs 272.88 crores in the earlier year. The cash and balance with other banks at the end of 1976 stood at Rs 27.46 crores as against Rs 21.09 crores in 1975.

Smart Rise

The bank's income recorded a smart rise to Rs 55.60 crores and it surpassed the previous year's figure by Rs 1.89 crores. The income from interest and discount, accounting for a major share of the bank's total income, went up from Rs 46.86 crores to Rs 47.23 crores while the revenue from commission, exchange and brokerage went up from Rs 6.74 crores to Rs 7.96 crores. The Bank's operations have resulted in a handsome rise in profit which has more than doubled

to Rs 2.93 crores as compared to Rs 1.26 crores in 1975.

Ashok Leyland

Ashok Leyland Ltd had yet another very satisfactory period from production, sales and profits point of view. Credit for this should be given to the management, for the improvements it effected in the economy of its operations, both in purchases and in production and to the workers who cooperated.

In order to be compatible with the accounting year of British Leyland, the company's collaborator and major shareholder, the company's accounting year from October to September was changed to the calendar year, i.e., January/December and the period under review therefore covers 15 months duration ended December 31, 1976. Hereafter, it will be 12 months from January 1 to December 31, inclusive, each year. This point has to be borne in mind when comparisons are drawn between the period now under review and the previous year.

A total of 11,031 vehicles were sold during the 15-month period as against 7,765 during the earlier 12 month period. Sales of engines and spare parts also showed an increase. The overall sales of all the company's car products for 15 months amounted to a 45 per cent increase over the previous 12 months.

The number of vehicles produced from January 1, to

the end of April 1977 compares favourably with the figures for the same period of last year. So do the figures of the value of engines sold. But a disturbing feature has been an all-round increase in prices which do not yet show any sign of decline. There is a limit to the company's capacity for absorbing the rising prices of raw materials; components and ancillary parts and there may come a time when it will no longer be possible to hold the price of its products without allowing profits to be seriously eroded.

The directors have decided to recommend a dividend of 90 paise per equity share, that is 18 per cent subject to deduction of tax for the period. The bonus share issue recently made is also eligible for this dividend.

The expansion programme has to be completed before December 1978 and every effort is being made to complete the programme by that date.

Record Exports

The company's exports registered a record export earning of Rs 1,138 lakhs, doubling the previous year's performance. The company continues to explore new fields and penetrate into new markets.

The technical agreement of collaboration between the company and British Leyland which started on December 5, 1955 terminated after its stipulated duration of 20 years of mutual advantage and benefits. During this period, the company has grown from strength to strength and has been successful in making its products in quality and design comparable with those manufactured by British Leyland which are of international repute. The time has now come for the

company to be as nearly self-sufficient as possible in its research and development activities. It is gratifying to note that the company's research and development personnel are not lagging behind in any way in accepting this responsibility. Bearing in mind the specific requirements of customers at home and abroad the company proposes to introduce new models of vehicles in the near future. These were highlighted by the Chairman Mr S. Ranagnathan while addressing the annual general meeting of the company held recently at Madras.

Food Specialities

Nestle Products (India) Ltd, a trading branch of Nestle, a Swiss-based multinational, will be winding its operations in India and its activities will now be looked after by Food Specialities Ltd which has set up a plant at Moga, in Punjab, in collaboration with the Swiss firm. What is more, Food Specialities Ltd is seeking government's sanction for setting up a Rs 5-crore plant for the manufacture of food products based on soyabean. Besides, there will be a further dilution of foreign shareholding in Food Specialities to 40 per cent from 69 per cent.

Dr. Arthur Furer, managing director of Nestle, while addressing a press conference held in New Delhi recently, revealed that the company was willing to invest abroad and broaden its shareholding. He further disclosed that almost 95 per cent of the products of the company are manufactured in countries other than Switzerland, leaving only five per cent in its own country.

The company at present is spending enormous amounts

the field of food research a special emphasis on soya. Significant achievements have already been reached in the optimum utilisation of soya.

Modella Woollens

The working of the Modella Woollens Ltd has resulted in a gross profit of Rs 76.67 lakhs compared to Rs 62.66 lakhs in 1975. Out of this, the directors have provided Rs 24.07 lakhs for depreciation and Rs 31.55 lakhs for taxation, resulting in a surplus of Rs 21.05 lakhs. The directors have recommended distribution of dividend at 12 per cent on the increased capital of Rs 91 lakhs (i.e., inclusive of the bonus shares of the face value of Rs 13 lakhs allotted in December 1976) and accordingly a sum of Rs 10.92 lakhs has been provided in the accounts as proposed dividend. In 1975 the company paid a dividend of 10 per cent.

Philips India

Philips India Ltd has maintained its magnificent record in most in every sphere of its operations during 1976, sales, profits-gross and net-profitability ratios, exports, all outstripping the previous year's encouraging performance by considerable margins. Sales spurted to Rs 72.08 crores from Rs 59.20 crores while profit before tax jumped to Rs 6.85 crores from Rs 5.11 crores in 1975. The profit after tax too shot up to Rs 2.50 crores from Rs 1.51 crores in the preceding year. Sales as percentage of profit before tax improved from 6 to 9.5 while sales as percentage of profit after tax advanced from 2.5 to 3.5. Exports at Rs 4.31 crores, outpaced its previous year's performance by as much as Rs 1.15 crores. The impressive improvements in working results have encourag-

ed the directors to enhance the dividend to Rs 1.20 per equity share as against Rs 0.95 paid in the earlier year. With a view to bringing the paid-up share capital in line with the capital employed in business, the directors have proposed to issue 3,880,000 shares of Rs 10 each as fully paid up bonus shares in the ratio of two shares for every seven shares held.

New Products

Not content with the past proud achievements the company is going ahead full steam with the development of a new range sophisticated products, processes, designs, etc etc. Besides being actively engaged in the implementation of a number of expansion schemes, the company is venturing into new fields of activities. It has received letters of intent for production of digital readouts, frequency counters, counter timers, pulse and function generators, voltage level indicators, carbon resistor bodies and components for lead-in-wires. The company has also received industrial licences for expansion of the capacity for manufacture of variable condensers, polyester condensers, carbon resistors, oscilloscopes, intercommunication apparatus and diamond wire drawing dies. The entire production of voltage level indicators and carbon resistor bodies, 90 per cent of the production of inter-communication apparatus and 50 per cent of the expanded production of oscilloscopes, is to be exported.

During 1976 the company further improved its turnover in its lighting products by a proper and well coordinated effort. The machinery for the manufacture of krypton-filled miners safety lamps has been received and installed at the company's factory at Kalwa.

Regular commercial production has now started. A further stage in the integration of the manufacture of tungsten filaments for electric lamps was reached with the installation of the swaging and wire-drawing machinery for the manufacture of tungsten and molybdenum wires from rods. Simultaneously, the company also implemented its industrial licence for diamond wire drawing dies and has commenced deliveries to customers.

The construction of the Luminaire factory at Taratolla, Calcutta, continued in full swing. On completion of the construction during 1977, the present activity of lighting fittings and accessories, carried on at several locations in Calcutta, will be shifted to the new factory complex.

Ready Market

A ready market for its radio, TV and professional equipments resulted in a handsome rise in sales of electronic components. New models at competitive prices were introduced during 1976, and as such, the sales registered good growth. Production of cassette recorders commenced during the latter part of 1976. It is expected that during 1977 full capacity will be reached in the production of these recorders. The exports of cassette recorders have also commenced. The company has to export 40 per cent of the production in terms of the industrial licence.

In addition to manufacturing a wide range of sophisticated and electronic test and measuring instruments the company is involved in a number of sophisticated projects such as ship automation, installation of a chain of liquid nitrogen plants in the country's artificial in-

semination programmes for up-gradation of cattle.

Apart from significant achievements in the development of products, the company's R & D laboratories are ceaselessly engaged in the development of new and improved processes, designs, leading to further import substitution.

The Reserve Bank of India has granted the company's application for carrying on business under Section 29 of the Foreign Exchange Regulation Act. In compliance with the Reserve Bank of India's requirements, N.V. Philips' Gloeilampenfabrieken has agreed to dilute its shareholding to 40 per cent.

Syndicate Bank

For Syndicate Bank the year 1976 was one of phenomenal progress and spectacular achievements. The bank stepped up loan assistance to farmers during 1976, as concerted efforts were made towards expansion of banking facilities in rural and semi-urban areas covering 13 states and six union territories. Of the 73 branches opened during the year, 20 were located in unbanked centres. The number of loan accounts to farmers touched an all-time high of 3.2 lakhs during the year.

The bank sponsored four regional rural banks during this period. In all, the five rural banks sponsored by the Syndicate Bank have mobilised deposits amounting to nearly rupees one crore through a network of 55 branches.

The net profit of the bank for the year stood at Rs 1.83 crores as against Rs 1.55 crores in 1975. A sum of Rs 86 lakhs as against Rs 45 lakhs in the previous year has been appropriated to reserve fund and Rs 70 lakhs to contingencies. The bank has

transferred the balance profit of Rs 23.86 lakhs to the general reserves.

The bank registered a big hike in deposits as the total went up to Rs 691 crores in 1976 as against Rs 537 crores in the previous year. This included savings bank deposits of Rs 186 crores which shot up by 40 per cent in the 12 months period. There was an all-time high in per branch deposits which touched Rs 80.7 lakhs as against Rs 69 lakhs in 1975. The total advances during this period also rose by 31 per cent, crossing the Rs 500-crores mark for the first time in the bank's history.

During the year, the bank opened 73 new branches including its first overseas branch in London. Twentysix extension counters were also opened during this period taking the total of extension counters to 67. The total number of branches stood at 851 by the end of 1976. Of these, 549 branches were located in rural and semi-urban areas. The bank's operations were extended to two more states of Assam and Bihar during the year.

Priority Sectors

Priority sectors including agriculture, small scale industries, retail traders, small business ventures, professionals, self employed, education, export and transport operators claimed major share in the bank's advances, accounting for 45 per cent of the total credit. As many as 5.2 lakhs people under this category had availed loan assistance to the tune of Rs 223 crores.

The bank adopted 73 backward villages inhabited mainly by scheduled castes and scheduled tribes in different parts of the country. A three year development plan was drawn up for these villages with a

total outlay of nearly Rs 4 crores covering 35,600 families of agricultural labourers.

New heights were reached by the bank in Lead Bank Scheme with 46 per cent of its total network of branches located in the lead districts allotted to the bank. These districts also accounted for nearly 22 per cent of the total deposits and advances of the bank as at the end of 1976.

Two new deposit schemes were launched by the bank during the year. Popularly known as Vikas Cash Certificate and Suraksha Deposit Scheme, these savings schemes have proved attractive with depositors.

In recognition of the bank's massive help in promoting the self-employment endeavour project jointly with the Indian Jaycees, the Jaycee International conferred the coveted Meritorious Service Award on Mr K.K. Pai, chairman of the bank, during the year. As many as 704 business ventures of educated unemployed were financed by the bank to the tune of about Rs 3 crores. Yet another promotional scheme launched by the bank covered 522 educated youth who were advanced Rs 1.6 crores under the Self-Employment Scheme sponsored by the state governments. These self-employment ventures covering in all 4,577 persons and involving financial assistance to the tune of Rs 14 crores have generated employment opportunities for 16,400 people.

News and Notes

The revival of the vanaspati project at Durgawati in Roh-tas district is considered feasible in view of the improved position of the availability of raw materials, according to a press release issued by the

Management Consultancy Division of the Bihar Industrial and Technical Consultancy Organisation Limited (BITCO).

The division of the BITCO sponsored by the Industrial Development Bank of India and other financial institutions analysed the reasons for uneconomic level of the working of the project and formulated a rehabilitation scheme involving an additional capital cost of about Rs 42 lakhs.

The study by the division revealed that after the implementation of the scheme the project, which had an installed capacity of producing 15,000 tonnes a year, would achieve 75 per cent of the installed capacity within two years.

New Issues

Ajanta Tubes will be entering the capital market shortly to raise Rs 1.02 crores in 7,20,000

equity shares of Rs 10 each and 30,000—10 per cent cumulative redeemable preference shares of Rs 100 each at par. The company holds industrial licence for manufacturing 72,000 tonnes of tubes and pipes. The project has been taken up in two stages. The first phase to manufacture pipes from 15 mm to 75 mm diameters has been completed and production commenced in April 1975. In the second phase, the company proposes to manufacture pipes from 100 mm and above diameter. The main plant and machinery required for the second phase has already been installed and commercial production has already been started. However, certain ancillary equipment are to be received and installed. The same are expected to be installed shortly.

Dividend

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Adarsh Chemicals	Dec. 31, 1976	10.0	Nil
Hindustan Wire Products	March 31, 1976	2.5	Nil
Fuel Injections	Dec. 31, 1976	7.5	6.0
Same Dividend			
Laxmi Vishnu Textile Mills	Dec. 31, 1976	Nil	Nil
Aditya Mills	Dec. 31, 1976	Nil	Nil
Bengal Electric Lamp Works	March 31, 1976	10.0	10.0
Indian Sugars & Refineries	Sept. 30, 1976	Nil	Nil
Aryodaya Spinning Mills	March 31, 1976	Nil	Nil
Aruna Sugars	Sept. 30, 1976	Nil	Nil
United Carbon India	Dec. 31, 1976	12.0	12.0
Reduced Dividend			
Raja Bahadur Motilal Poona Mills	Dec. 31, 1976	10.0*	12.0

*On the enlarged capital.

Monetary screw loosened

RECORDS AND STATISTICS

LASHING of interest rates on bank deposits, coupled with a reduction in the lending rates in the banking industry, marks the credit policy for the current year (1977-78) announced by the Reserve Bank of India last week.

Outlining the credit policy for the year at a meeting with major scheduled commercial banks in Bombay on May 27, M. Narasimhan, RBI governor, pointed out that in view of the 19 per cent increase in money supply during 1976-77, accompanied by a 12 per cent increase in the price level, it is essential to maintain a degree of restraint on credit.

But, at the same time, the policy should be oriented towards promoting investment, stimulating production and exports and augmenting supplies of essential consumer goods and raw materials through imports, said Mr Narasimhan.

Credit Structure

The Reserve Bank has also taken the opportunity for further rationalising the cost structure of credit. Accordingly, banks have been advised to lower the rates of interest on term loans of not less than three years from the present floating of 14-15 per cent to 12.5 per cent in view of the need for further stimulus to long-term capital investment.

The Reserve Bank has also revised the deposit rates structure. An important element of the change is the distinction drawn between savings deposit accounts which are functional-transaction-oriented and

others which are savings-oriented.

For the first time, a distinction has been drawn between savings accounts with and without cheque facilities. Savings deposits accounts without cheque facilities will be paid five per cent interest and those with cheque facilities three per cent per annum, as against the existing rate of five to 5.5 per cent on both. The new rates will be effective from July 1 this year.

Interest Rates

Similarly, fixed deposits of 91 days to six months will attract four per cent interest as against the current rate of 5.5 per cent, six to nine months 4.5 per cent against six per cent, nine months to less than one year five per cent as against seven per cent, one year to three years six per cent as against eight per cent and over three years up to five years eight per cent as against nine per cent. For deposits above five-year duration, the interest remains unaltered at 10 per cent.

As a part of the restraint on the credit expansion, the Reserve Bank has decided to continue impounding of 10 per cent of incremental deposits which was introduced in January this year. However, the rate of interest on these impounded deposits will be increased from 5.5 per cent to six per cent with effect from June 1.

The governor of the Reserve Bank has expressed the desire that, consequent upon the

realignment of deposit rates and the enhancement of the rate of interest allowed on impounded deposits, banks should pass on the benefit of interest savings on deposits and higher earnings on additionally impounded deposits to their borrowing constituents, particularly in the priority sectors by appropriate readjustments in their rates on advances.

Mr Narasimhan clarified to newsmen later that this would mean a reduction in the interest rates on lending, but declined to specify the level of reduction. He said lending banks would have the discretion to effect the reduction. This, however, signified that credit would be cheaper to borrowers.

Selective Controls

On the other hand, the Reserve Bank also announced certain changes in the selective credit controls in the context of the continued pressure on prices of oils and oilseeds. In all appropriate cases, margins have been stepped up by 10 per cent over the existing levels in respect of bank advances against oils and oilseeds.

At the same time, in support of the government programme for import of edible oils and oilseeds, advances to all parties against such imported oils and oilseeds as are subject to selective credit controls have been exempted from the minimum margin and ceiling levels on credit stipulations.

However, to ensure that the quantity imported is released for consumption immediately without any delay, such exemptions are restricted for four weeks from the date of arrivals of stocks at the port in the case of oils and eight weeks in case of oilseeds.

Created Money

The Reserve Bank governor felt that in view of the steep increase in the money supply and the resultant pressures on the price level, there was greater need than ever to restrict the use of created money issued by the Reserve Bank. Accordingly, refinance and rediscount accommodation would be selective and at the discretion of the Reserve Bank.

However, banks will be entitled to the following facilities:

(a) One per cent of the demand and time liabilities calculated as on the last Friday of March, 1977, will be made available at a rate of interest of 10 per cent per annum.

(b) At present, refinance relating to food procurement credit is provided to the extent of 50 per cent of the increase over an outstanding food credit level of Rs 1,000 crores. It is now proposed, with effect from June 1, 1977, to raise the base level not eligible in excess of Rs 1,500 crores. Refinance will be provided up to 50 per cent of the increase at a rate of interest of 10 per cent per annum.

(c) Refinance will be provided up to 50 per cent of the incremental performance in

the export credit of a bank over the annual average performance in 1976. The rate of interest on export credit re-finance will be 10.5 per cent.

(d) Any refinance other than the entitlements indicated above will be strictly at the discretion of the Reserve Bank in regard to the amount of assistance, its duration as well as the rate of interest. Such accommodation will be on merits related to a bank's credit-deposit ratio and its sectoral deployment of credit, its involvement in assisting capital investment through provision of term loans and subject to the Reserve Bank's satisfaction about its resources planning.

(e) The Reserve Bank has also decided to make available all rediscounting facilities on a discretionary basis. The basic rediscount quota equal to 10 per cent of the inland bills purchased and discounted, which was previously made available on an automatic basis at the bank rate of nine per cent, will also now be on a discretionary basis. All discretionary rediscount facilities will be subject to terms and conditions stipulated by the Reserve Bank.

Priority Sector

In his letter to banks, the governor had impressed upon the banks that credit planning at the individual bank level should bring about a pattern of credit deployment increasingly in tune with national objectives and priorities. In particular, it is necessary that efforts are directed toward higher allocation of credit to priority sectors. In doing so, greater efforts should be directed towards reaching the weaker sections of society to ensure that the population below the poverty line truly stood to benefit.

Following is the full text of the letter of the governor of the Reserve Bank to the Chairmen of commercial banks:

At a meeting this afternoon with the chief executive of major scheduled commercial banks, I had the opportunity to review the monetary and credit trends against the background of the current and prospective economic situation.

Modest Growth

1. The growth rate of the economy in 1976-77 has been somewhat modest but this has coincided with a large expansion of almost 19 per cent in money supply. Though there has been a qualitative difference in the sources of changes in money supply between 1976-77 and earlier years, in that foreign exchange assets and credit for foodgrains stocking have contributed significantly to this monetary expansion, all the same the excess liquidity so generated is bound to have its effect on monetary demand in the coming months.

2. Reflecting the imbalance between aggregate demand and aggregate supply, pressures have developed on the price situation. The downward trend in prices during 1975-76 was reversed, with an increase of almost 12 per cent over the financial year in 1976-77. During the current financial year so far prices have shown an increase of about two per cent. In this context, it is therefore, necessary that monetary and credit policy continues to be directed towards restraining monetary expansion to the maximum extent possible, but at the same time, oriented towards promoting investment, aiding production and exports and augmenting supplies of essential consumer goods and

industrial raw materials through imports.

3. With a view to realising the objectives outlined above the Reserve Bank of India has decided on the following measures.

(a) The incremental cash reserve ratio of 10 per cent of

the demand and time liabilities accruing since January 1977 will continue. The average cash reserve ratio will continue at six per cent of demand and time liabilities. Minimum assets that constitute the liquidity requirement under Section 24 of the Ba

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:

(1) Tender No. DPS: BARC: STY: 6037 due on 15-6-77. Computer card made of manila paper, left corner cut for use with various types of computer—20 lakhs.

(2) DIS: PPED: EEQ: 250 due on 28-6-77. Dynamic balancing of Pump Motor Rotor (3.3 KV 1170 HP) with the fly wheel as per specifications—2 Nos.

(3) DPS: NFC: GEN: 164 due on 13-6-77. Low density, high alumina insulating bricks—200 Nos.

(4) DPS: BARC: ELE: 11620 due on 16-6-77. Capacitors of 50 KV to 3 microfarad life 10,000 shots voltage reversal 80% as per purchase specifications.

(5) DPS: STY: 360 due on 22-6-77. Cellulose tapes superior quality clear transparent, self adhesive in rolls of 65 mtrs. in different widths.

(6) DPS: HWP: ENG: 975 due on: 22-6-77. Stainless steel and ceramic raschings rings as per tender specification—20.55 cu.m.

(7) DPS: ELE: 201 due on 29-6-77. Air break switch and fuses as per purchaser's specifications—160 nos.

(8) DPS: NFC: PUR: 76 due on 1-7-77. Hard wood sleepers of 1 c.c. quality, sal (US) (Shorea robusta) for broad gauge railway line U-category (durable) conforming to Indian Railway specifications.—4,000 nos.

(9) DPS: RRC: PPF: 175 due on 22-6-77. Supply of seamless carbon steel tubes conforming to ASTM A 53 gr. B as per purchaser's tender specification.

(10) DPS: HWP: PPF: 613 due on 30-6-77. Supply of fittings with additional testing for C.S. ultrasonic and magnetic particle examinations C.S. flanges as per purchaser's tender specifications.

(11) DPS: HWP: PPF: 164 due on 4-7-77. Supply of valves for seal water and steam services as per purchaser's tender specifications.

(12) DPS: TAPS: ELE: 589 due on 22-6-77. B&S type brown glaze porcelain fog type disc insulator, conforming to I.S. 731/71 as revised date and as per purchaser's specifications. Qty—1000 nos.

(13) DPS: RRC: ELE: 125 due on 23-6-77. Supply of electrical resistance welded (ERW) rigid steel conduits and accessories for electrical wiring as per purchaser's specifications.

(14) DPS: RRC: ENG: 190 due on 24-6-77. Fabrication of alcohol washing and vacuum drying fixture as per purchaser's specification and drawings—2 nos. each.

Tender document priced Rs. 5/- each for items at s.no. 1 & 2 Rs. 10/- for items at s.no. 3 to 8 Rs. 15/- for items at s.no. 9 and 10 Rs. 20/- for items at s.no. 11 and Rs. 25/- each for items at s.no. 12 to 14 and general conditions of contracts priced Rs. 0.50p can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohatta Building, Palton Road, Bombay-400001, between 10 to 1 p.m. on all working days except on Saturdays. Import licence will be provided except for items at s.no. 2, 7, 12 and 13 only if the items are available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without signing any reason.

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Regulation Act will also continue unchanged at 33 per cent. Banks are advised that while planning their overall credit expansion and its deployment during 1977-78, they could take into account the creditable resources available to them after providing for the cash reserve and liquidity requirements in force.

(b) In the present context, there is greater need than ever before to restrict the use of created money issued by the Reserve Bank. Hence refinance and re-discount accommodation will be selective and at the discretion of the Reserve Bank. However, banks will be entitled to the following facilities:

(I) One per cent of the demand and time liabilities calculated as on the last Friday of March 1977. This will be made available at a rate of interest of 10 per cent per annum. This facility will be available upto the end of March 1978. It is our intention that this facility should be used for meeting the day-to-day clearing and other operational requirements and should not be regarded as an automatic entitlement for augmenting resources.

Procurement Credit

(II) At present, refinance relating to food procurement credit is provided to the extent of 50 per cent of the increase over an outstanding food credit level of Rs 1,000 crores. It is now proposed, with effect from June 1, 1977 to raise the base level not eligible for refinance from Rs 1,000 crores to Rs 1,500 crores. For a food credit level in excess of Rs 1,500 crores, refinance will be provided up to 50 per cent of the increase at a rate of interest of 10 per cent per annum. Banks which have drawn refinance, in ex-

cess of what will now be permissible in terms of the new formula, are advised to discuss with the Reserve Bank their schedule for complying with the level of new entitlement.

(III) Refinance, will be provided up to 50 per cent of the incremental performance in export credit of a bank over the annual average performance in 1976 (average of month-end outstandings). For purposes of determining the quantum of refinance, the current weekly outstanding level of export credit will be compared with the annual average for the preceding year. The rate of interest on export credit refinance will be 10.5 per cent. This facility will also be available up to the end of March 1978.

Sectoral Deployment

(IV) Any refinance other than the entitlements indicated above will be strictly at the discretion of the Reserve Bank of India in regard to amount of interest. Such accommodation will be on merits related to a bank's credit-deposit ratio and its sectoral deployment of credit, its involvement in assisting capital investment through provision of term loans and subject to Reserve Bank's satisfaction about its resources planning.

(V) The Reserve Bank has reviewed the development of bill financing system with particular reference to the incentives provided including the re-discount facilities offered by it. In the light of this review the Reserve Bank has decided to make available all re-discount facilities on a discretionary basis. The basic re-discount quota equal to 10 per cent of the inland bills purchased and discounted, which was previously made available on an automatic basis

at the bank rate of nine per cent, will also now be on a discretionary basis. All discretionary re-discount facilities will be subject to terms and conditions stipulated by the Reserve Bank. I would like to clarify that this will not preclude banks obtaining re-discounts against bills at nine per cent where on merits the Reserve Bank is satisfied.

Credit Restraint

4. The objective of the policy is thus to continue a degree of restraint on credit. The opportunity is also being taken for further rationalising its cost structure. It is accordingly proposed to revise the deposit rate structure as indicated in the annexure to this letter. An important element in the change is the distinction drawn between savings deposit accounts which are functionally transaction-oriented and others which more truly partake of savings. The new rates will come into effect from June 1, 1977 except on savings deposits which will take effect from July 1, 1977.

5. The Reserve Bank has also reviewed the rate of interest paid on deposits impounded through the enhancement in the statutory cash reserve ratios. It has been decided to step up the rate of interest paid on all impounded deposits from 5.5 per cent per annum to six per cent per annum with effect from June 1, 1977. This will apply to the additional basic cash reserves required to be maintained over and above the statutory minimum of three per cent as well as to the cash reserves related to incremental deposits.

6. Consequent upon the realignment of deposit rates and the enhancement of the rate of interest allowed on impounded deposits, it is my desire that banks pass on the benefit

of the interest saving on deposits and higher earning on additionally impounded deposits to their borrowing constituents particularly in the priority sectors, by appropriate re-adjustments in their rates on advances.

7. At present, interest rates on term loans extended by banks for capital investment by industry are around 15 per cent (including interest tax) up to seven years for periods over three years and, around 14 per cent for term loans of over seven years (which are exempt from interest tax). In view of the need for further stimulus to long term capital investment, banks are advised to charge a rate of interest not exceeding 12.5 per cent (inclusive of interest tax on advances where applicable) on term loans extended by capital investment to industry granted for periods of not less than three years.

Inflationary Pressures

8. In the context of the continued pressure on prices of certain commodities, there is need for making certain changes in selective credit controls. The high prices of edible oil call for some further tightening of controls. In all appropriate cases, it has been decided to step up the margin by 10 percentage points in respect of bank advances against oils and oilseeds.

9. In support of the government programme for import of edible oils and oilseeds, while also ensuring that the quantity imported is released for consumption without delay, the following relaxation in our selective credit control regulations on advances against oil and oilseeds have been made. Advances to all parties against such imported oils and oilseeds as are subject to selective credit controls will be

exempted from minimum margin and ceiling level of credit stipulations for a period of four weeks from the date of arrival of stocks at the port in the case of oils and eight weeks in the case of oilseeds. Beyond this period, the respective minimum margins stipulated by our selective credit control directives will apply.

On such imported oils and oilseeds which are not covered by selective credit control, e.g. palm seed and oil, sunflower seed and oil and soyabean and oil etc., a minimum margin of 60 per cent should be stipulated on credit outstanding beyond the period allowed. In view of the serious supply and price situation in edible oils, banks will have to ensure that there is no speculative holding of imported goods with bank credit and should stipulate appropriate terms and conditions to the credit sanctioned to this end.

Tight Controls

10. In respect of cotton, there is need for continued tightness of control because of the shortfall in domestic production. At the same time, the offtake by mills of cotton imported by the Cotton Corporation of India has to be facilitated. For this purpose, advances to mills against imported cotton will be exempted from the minimum margin requirements. Banks should however fix appropriate margins so as to ensure that there is no undue stockpiling of foreign cotton by mills.

11. We had advised the banks in January 1977, to step up the margin on all types of advances against book debts and inventories by 10 per cent in respect of existing accounts, barring certain exempted categories. Subsequently, in February 1977, we had impressed upon the banks to exercise necessary

flexibility in the application of higher margins keeping in mind the seasonal pressure on demand for funds.

It is felt that in the present situation, with the abatement of pressure on seasonal industries, banks should implement enhanced margin requirements as advised in our letter of January 14, 1977. The need to economise the use of bank credit through appropriate margins is of much greater relevance in the present context.

Planning Cell

12. The credit planning cell will soon be forwarding the credit budget proforma to enable banks to prepare their quarterly and annual credit budgets for 1977-78. It is our intention to have the usual credit budget discussion with banks in due course. Credit planning at the individual bank level should bring about a pattern of credit deployment increasingly in tune with national objectives and priorities.

In particular, it is necessary that we direct our efforts towards higher allocation of credit to priority sectors.

In so doing, greater effort should be directed towards reaching the weaker sections of the society to ensure that the population below the poverty line truly stands to benefit.

Limits on Advances of Urban Cooperative Banks: The Reserve Bank of India has also reviewed the operation of the directives issued by it in January and March, 1975, regulating the advances (secured and unsecured) of primary (urban) cooperative banks and has amended certain stipulations. Among others, these relate to the relaxation of the limit of unsecured advances from Rs 5,000 to Rs 10,000 to a single party for certain specified purposes, such as trade, commerce, cottage and small-

scale industry, housing and education. Unsecured advances to all the directors put together, the limit for which was hitherto Rs 10,000 only, can be given upto Rs 50,000 in the case of banks having total of the time and demand liabilities (TDL) from one lakh rupees to rupees one crore, and upto one lakh rupees in the case of banks having TDL above one crore rupees. This is, however, subject to the ceiling of advances to each single party referred to above. A new

primary (urban) bank is permitted to add 75 per cent of paid up capital and reserve to the total of the time demand liabilities while working out maximum limit of advances for a period of three years from the date of becoming a primary cooperative bank. The ceiling for unsecured advances to members put together continue to be 33-1/3 per cent of TDL. The amended directive comes into force from June 1, 1977.

Annexure

Rate of interest on deposits payable by scheduled commercial banks, effective June 1, 1977.

	Existing %	Proposed %
I. Saving Deposits		
Scheduled commercial banks		
1. With demand and time liabilities up to Rs. 10 crores	5.5	30% on savings deposits
2. With demand and time liabilities between Rs 10 and Rs 25 crores	5.25	cheque facilities and 5% on savings deposits account without cheque facilities
3. With demand and time liabilities above Rs. 25 crores	5.0	
II. Fixed Deposits		
1. 15 to 45 days	3.0	3.0
2. 46 to 90 days	3.5	3.5
3. 91 days to less than 6 months	5.5	4.0
4. 6 months to less than 9 months	6.0	4.5
5. 9 months to less than 1 year	7.0	5.0
6. One year to 3 years	8.0	6.0
7. Over 3 years up to 5 years	9.0	8.0
8. Above 5 years	10.0	10.0

Note: 1. Scheduled commercial banks with demand and time liabilities less than Rs. 25 crores are allowed to pay, at their discretion, additional interest of 1/4 per cent per annum on savings deposits and on term deposits up to and inclusive of five years. The rate of interest for deposits above five years will be only 10 per cent.

2. No cooperative bank is allowed to pay interest on deposits in excess of the rates specified below, over and above the rates prescribed above.

Excess rate permissible over the above rate

State cooperative bank	1/4 per cent
Central cooperative bank	1/2 per cent
Primary cooperative bank	1 per cent

Except on savings deposits which will take effect from July 1, 1977.

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